



THE PROVINCE OF ZUID-HOLLAND PREFERS REUSED OFFICE FURNITURE OVER NEW

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The province of Zuid-Holland used circular procurement for their office furniture. One of the main principles in the new contract between Gispén and the Province is to maximise the reuse of existing furniture.



Source (Dutch): <https://www.duurzaambedrijfsleven.nl/circulaire-economie/30987/zuid-holland-circulair>

Facts and figures

Organisation(s): Province of Zuid-Holland

Product: Office furniture

Size: at least € 2.5 million

Period: Contract period of 10 years

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The project

The framework agreement for the delivery of furniture to the Province of Zuid-Holland ended early 2018. The decision was made to procure circular furniture. Facilities Management regarded this tender as an ideal opportunity to contribute to the province's circular objectives. The tender was prepared thoroughly and an entire year was devoted to the procurement process. This extended period was chosen to

align the project with the renovation of the Provincial Government Building, during which a lot of existing furniture would become available for reuse (refurbish, repurpose, repair).

The circular office furniture was put out to tender in the EU. The scope of the contract comprises the regular office furniture and 'special' furniture, also called 'specials'. Specials include all furniture intended for special office areas such as lounge sofas, seating areas and consultation areas. Customized furniture for specific and personal health issues is not part of the contract.

Sustainability within the Province of Zuid-Holland

Circularity and sustainability play a prominent part in the Province's government coalition agreement. This means there is an increasing focus on circular economy within the province. For example, the Province of Zuid-Holland now has a Circular Economy challenge team. They are also one of the signatories of the Green Deal Circular Procurement 2.0 and the National Agreement on the Circular Economy. With these commitments, the provincial government emphasizes that every opportunity for circular procurement should be explored. The tender for office furniture was the first project where these ambitions were translated into concrete results.

Preparation

Prior to the tender, the province had little knowledge about how to carry out a circular procurement process. Market research was conducted to find the right strategy for the circular procurement of office furniture. This research focussed on 'product as a service' as an alternative revenue model. It was soon clear that leasing furniture and handing a lot of initiative to the market was not an attractive option. As an official body, the Province of Zuid-Holland can easily raise money at low interest rates, which makes leasing unattractive.

An external lender often imposes additional requirements, so this option would only create disadvantages. The concept of 'product as a service' also proved a bridge too far for the internal organisation.

The Province of Zuid-Holland then decided to use the purchase/sell-on model with a revenue model based on residual value. This also meant that residual value became part of pricing and awarding. For external expertise on developing ambitions and the procurement process, the Province of Zuid-Holland found a suitable partner in consultancy firm Copper8. The province also participated in the Learning Network Office Furnishing set up by PIANOo, the Dutch Public Procurement Expertise Centre.

Working definition for circular furniture

In the run-up to the procurement, the Province of Zuid-Holland has organised an internal ambition session to come up with a working definition for this tender. The overall rationale of the province was that they wanted their ambitions to exceed the current level of achievement in the market. In order to reach a working definition for the furniture, they first needed to formulate a working definition for the circular economy. The following working definition for the circular furniture was agreed upon:

- Extending the service life of existing furniture in its current form by applying the following principles: maintain, repair, refurbish or repurpose.
- High value reuse of discarded furniture outside the organisation (reuse/redistribute)
- In case of a deliberate need for extra furniture:
 - Meet this need to the maximum extent possible by using existing products that have had a previous life (refurbished),

components that have been used before (remanufactured) and materials that have been used before (recycled).

- Only when these options have been exhausted, new circular furniture can be considered. This furniture should be reusable as much as possible, at product, component and material level (for example through timeless design, (modular) design choices and avoiding toxicity).
- The furniture inventory can in part be deployed flexibly and can be exchanged (in part) if functional needs change, for instance due to changing working practices.
- As much as possible, the energy used is fossil-fuel-free or from renewable sources.
- Chain cooperation ensures circular management and processing.

This working definition was subsequently tested in the market. The definition has later been adopted by other government institutions to procure circular furniture.

The procurement process

The Province of Zuid-Holland opted for a restricted European tender in the expectation that a lot of parties would be competing. In the end, there were only three tenderers, which was a disappointment. The market argued that it was a very complicated tender. Two of the remaining parties were eliminated during the submission phase. The first party was eliminated in the first of two rounds of assessments; the second party was excluded during the Alcatel period due to an incorrect submission. In the end, the winning bid came from Gispén.

The contract was awarded based on the best price/quality ratio. The tender was divided into two parts, a request for new furniture and a request on the basis of existing furniture and refurbishment.

The following award criteria and scoring model were applied:

- Representative case (25%)
 - Functionality (10%)
 - Circular Reuse (10%)
 - Circular Origin (5%)
- Bid new (10%)
 - Circular new (via CircularIQ)
- Action Plan (35%)
 - General (15%)
 - Circular (15%)
 - Residual value (5%)
- Test set-up (10%)
 - Comfort (10%)
- Price (20%)
 - Representative case (15%)
 - Services (5%)

The test set-up concerned two types of furniture: a conference chair (refurbished) and a sit-stand workstation (new). For the 'Circular new' part of the tender, the circularity of two products - a cabinet and a sit-stand workstation - has been evaluated with the [CircularIQ](#) tool.

This evaluation included the following aspects:

- Toxicity of the product
- Designed for disassembly
- Application of recycled materials
- Recyclability of the product

"As circularity constitutes more than 50% of the award model, this tender can truly be called circular."

Sabina Duyvestijn, Project leader Facilities Management

Eliminate perverse incentives

One of the main challenges for the Province of Zuid-Holland was to eliminate the perverse incentive for the supplier to sell new furniture and stimulate the refurbishment of existing furniture in the call for tender. A representative case was used to assess the extent to which the parties saw opportunities to use the existing furniture – refurbished or not – in the renovated Provincial Government Building.

The fact that nobody knew how much furniture the Province of Zuid-Holland actually possessed, or what state it was in, proved to be an obstacle. An inventory was made twice to enable the tenderers to accurately determine which furniture could be reused.

The pricing model included a ceiling price for the representative case and the services to be procured. Prior to the call for tender, Copper8 made a business case based on the reuse of existing furniture and an estimate of how much new furniture would be required. This showed that that over a 10-year period the Total Cost of Ownership (TCO) for this circular tender would be about 30% cheaper compared to buying all new furniture. The business case helped create internal support for this tender.

Apart from the price, the provincial government is also sensitive to the fact that it acts as a role model and catalyst for circular procurement. Despite the odd critical question, the provincial government and management were enthusiastic about this tender and very cooperative. The prevailing feeling during the whole process was pride. There was a steadily growing awareness of the important contribution the Province of Zuid-Holland could make to the circular objectives of the central government.

Results

At present, the circular achievements have yet to be realised. Gispen has made the following promises with regard to performance:

- Compliance with the working definition that gives priority to reuse of furniture from the current inventory of the Province of Zuid-Holland;
- In case furniture is not available or cannot be repaired, refurbished or repurposed, Gispen will first try to use find used furniture in the market before offering new furniture;
- New circular furniture must meet the requirements regarding, for instance, toxicity and disassembly.

The challenge for Gispen – and by extension for the whole market for office furnishing – lies in the shift from delivering products (furniture) to services (maintenance, refurbishing, project management, etc.). Suppliers (and manufacturers) currently often have a financial incentive to supply new furniture, and the challenge is to offer them incentives to take measures to extend the service life instead.

Clarification of agreements and contract management

After concluding the contract, in this case with Gispen, the agreements and KPIs still need to be clarified. At this stage, the following issues are not fully clear or have not been sufficiently addressed:

- How do you make sure that a supplier partners up with the most innovative parties in the market, even if they do not belong to their group of preferred suppliers. To this end, the following text has been added to the contract: 'If a party places a smart innovation concerning furniture on the market, the Province of Zuid-Holland is entitled to work with this party if the supplier fails to do so.'

- Internally, the agreements regarding circular furniture tend to be ignored if, for instance, an internal client wants to receive new furniture on short notice ('short-term view'). The executors of the contract (Housing team) and the colleagues that champion the circular principles must receive sufficient support. Most importantly, however, the new working arrangements should be properly embedded in the internal business processes. This requires a smooth transfer from the procurement team to the line organisation.
- A number of agreed KPIs has been dropped because they were difficult to measure. This mainly concerns softer KPIs such as visibility. The presence of signs of wear on refurbished furniture also proved difficult to assess: it is not yet known what the Province of Zuid-Holland finds acceptable, this will have to be determined on the basis of experience. It is therefore not yet possible to finalise the KPI.
- The percentage of furniture to be reused cannot be determined either because it is not yet clear what will be available or it is not clear what the client needs are.

It is clear from the above is that good cooperation based on trust is crucial for closing a circular contract. Both parties need to have the flexibility to deal with new insights based on good or bad experiences. For now, the agreed way to cooperate is to stay as closely aligned with the working principle as possible without the need to use a KPI for every occasion. Meanwhile, the Province of Zuid-Holland and Gispen are exploring how this kind of agreement can be put down in writing and what would be the best moment to do so.

Gispen has also been asked to provide proof of circularity for products supplied during the contract period, for example by means of the CircularIQ tooling.

Success factors

Looking back on the procurement process, it is possible to identify a number of important success factors:

- Hire the right expertise, there is no need to reinvent the wheel.
- Start your procurement in good time.
- Make sure you have someone in your organisation that is strongly committed to the principles of circularity.
- Make a proper analysis of what the market has to offer, for example by conducting a market consultation.
- Allow market parties to be critical of the client, as the client needs to provide the scope for circular ideas and innovations.

Setbacks and lessons learned

- When you introduce something new in the market, make sure it is assessed properly, in particular the scoring method and the underlying models.
- Using KPIs to manage performance provides a challenge with respect to contract management, especially for the internal organisation. On the whole, there is no management on KPIs, nor on the relation with the supplier, and documentation leaves much to be desired. This needs to be dealt with in order to get a grip on contract management in a circular contract.
- With regard to the selected procedure, it must be said that in view of the limited number of bidders, a public tender would have been perfectly possible, and might even have resulted in a wider choice.

Tips

- Cooperation based on trust is crucial. Both parties need to have the flexibility to deal with new insights based on good or bad experiences.
- If you plan to use a new and innovative assessment method in your procurement process, make sure this is properly tested and validated. Scoring based on new models may lead to a lot of questions and confusion in the market.
- Conduct a market consultation if you are not sure what the market has to offer. This will show the client what the market is capable of. It also allows the market to prepare for the client's request and helps to create internal support.
- In an innovative circular procurement project you should challenge the market to look critically at the client's request. Sometimes the client unintentionally makes a request that is too technical or too specific, and opportunities are lost.
- Pay sufficient attention to 'circular contract management' and management of KPIs. Not every organisation is familiar with this. It requires a change in attitude and behaviour.
- Draw up a business case to determine the financial advantages of reusing existing furniture compared to purchasing new furniture. This is immensely helpful to create internal support for circular procurement.

