

Focus on Urban Freight Transport and PROCUREMENT

Freight TAILS is a network of 10 European cities focussed on addressing urban freight transport issues together. The network is led by Cross River Partnership (CRP), a public-private regeneration delivery agency based in London, UK.



Cities in the Freight TAILS network.

'Freight TAILS Focus on ...' is a series of interim reports sharing the experiences of these 10 European cities in urban freight transport (UFT) organised around six key themes. The six key themes are:

1. Stakeholders
2. Data
3. Integration
4. Regulation & Enforcement
5. Voluntary Behaviour Change
6. Procurement

This sixth interim report is focused on addressing urban freight transport through PROCUREMENT measures. The report is structured around the following five questions:

- *How can stakeholders use their purchasing power to influence urban freight movements?*
- *Why would the city authority encourage the use of procurement measures by stakeholders as a means to influence urban freight movements?*
- *What barriers are there to using procurement measures as a means to influence urban freight movements? Are these barriers real or perceived?*
- *Who are the key individuals in an organisation when seeking to influence urban freight movements? How much do they know about freight/do they need to know about freight?*
- *When would the changes required by one or more procurer lead to a change in urban freight activity from suppliers and logistics operators?*

Finally, some recommendations and a step by step process are provided to help in the consideration of PROCUREMENT in urban freight transport.

This report relays the practical experiences of the Freight TAILS partner cities, who are seeking to develop 'integrated' action plans focused on reducing the impacts of freight transport in their cities.

Background to procurement and urban freight

As individuals we make choices in where we shop and what we buy. Our decision may be based purely on the cost of a product or the ease of purchase, but it may also be based on more complex decisions; how sustainable we think the product is, whether we have any loyalty to a particular brand of goods, or even how much the delivery costs.

Businesses make similar decisions. Both the public and private sector are increasingly concerned about corporate social responsibility, purchasing sustainable fair-trade products and ensuring fair wages are paid to staff and factory workers. Purchasers

often have agreed service standards with their suppliers, develop a full procurement code, and recognise that the cheapest option is not always the most sustainable. They also recognise that sustainable contracts may be the most profitable in the long term and provide the greatest overall value to society.

The Freight TAILS partner cities recognise this increased understanding provides the opportunity to address urban freight challenges through procurement.

How can stakeholders use their purchasing power to influence urban freight movements?

The ability to demonstrate sustainability is seen by many private companies as a clear business advantage, and purchasing decisions are just one part of their overall corporate social responsibility. It is already clear that the public sector can lead by example to change behaviour, e.g. schools and hospitals providing healthier and more sustainable food options to pupils and patients. The public sector is becoming more aware of this approach as a way to influence urban freight transport (UFT), and as a major purchaser of goods and services can play a significant role in leading change.

“Every year, over 250 000 public authorities in the EU spend around 14% of GDP on the purchase of services, works and supplies. In many sectors such as energy, transport, waste management, social protection and the provision of health or education services, public authorities are the principal buyers. Public procurement refers to the process by which public authorities, such as government departments or local authorities, purchase work, goods or services from companies. Examples include the building of a state school, purchasing furniture for a public prosecutor's office and contracting cleaning services for a public university.” [European Commission, 2018.](#)

Using this purchasing power to make urban freight movements more sustainable requires the following elements to be in place:

- an understanding of how to influence urban freight activity,
- the will to change purchasing strategy, and
- the time and effort to redraft contract specifications and tender evaluation criteria to incorporate UFT, in line with broader sustainable procurement objectives.

The Freight TAILS partner cities agreed that, while it may be difficult to start the process, city authorities can influence UFT by setting energy efficient and sustainable transport standards in the contract requirements they ask of suppliers. Based on regular deliveries of office and catering supplies, and daily waste collection, a municipality is in a strong position to lead by example and require changes to delivery mode, clean fleets, and delivery frequency. Freight operators may also benefit from the implementation of smarter and cleaner distribution standards, by reducing the number of trips and kilometres, and having more flexibility in delivery time.

“Sustainable procurement means... meeting your own organisations needs for goods, services and works in a way which optimises their environmental, social and economic impacts throughout their life-cycle - from cradle to grave” John Watt, ICLEI

Why would the city authority encourage the use of procurement measures by stakeholders as a means to influence urban freight movements?

Discussion between Freight TAILS partner cities has identified that [regulation](#) or [voluntary behaviour change](#) alone, cannot deliver sufficient change to freight activity in their city. Neither will action taken solely by the municipality.

However, wider policy goals to improve air quality and road safety can be addressed through procurement, if the correct criteria are included in the procurement process. And while individual changes to procurement practices may be useful, using procurement as a strategic tool could deliver much greater benefit. Procurement could also be used to stimulate and speed up delivery of other measures, such as requiring the use of clean vehicles which could support the early introduction of a low emission zone; or requiring suppliers to provide information on trips taken within their supply chain which could support the uptake of delivery and servicing plans.

A more consistent use of procurement criteria could change operational practice and stakeholder mind-sets and lead to increased financial efficiency, enhanced

organisational reputation, reduction of non-compliance with regulation and the development of more innovative and sustainable solutions.

“Procurement sits between offering of incentives and application of regulation” Freight TAILS partner Brussels Mobility (Belgium).

Freight TAILS partner cities identified that a range of benefits could be deliverable by using procurement as a means to influence UFT. To realise these benefits fully, they would need to be explicitly communicated to all key stakeholders:

- Procurement to reduce environmental impacts of UFT could improve **financial efficiency**, by reducing empty running or amending delivery times.



Case study: Review and innovation of procurement practice can be profitable for authorities and companies. The French speaking Free University of Brussels (ULB) was previously supplied by 6 different providers of bottled water. Through consolidation of procurement, it proved possible to reduce costs by 75% (- 60,000€ per annum).

The topic of bottled water has recently hit the headlines in relation to its contribution to plastic pollution. Forward looking companies are now banning bottled water in favour of promoting tap water on the basis of environmental and recycling grounds, and this will inevitably positively influence the impacts of freight movements associated with the reduction in movement of bottles of water.

- Procurement to consolidate UFT into fewer, **cleaner vehicles** to deliver air quality benefits.



Case study: Heart of London Deliveries, Waste and Recycling Programme. Heart of London Business Alliance ([HOLBA](#)) is a vibrant Business Improvement District in the West End facing a number of challenges including traffic congestion, poor air quality and high visibility of commercial waste on its streets. Each of these challenges has the potential to impact upon customer and visitor experience of the area. Heart of London Business Alliance is supporting its business members in making changes to the way goods and services are ordered and delivered to bring about significant improvements to the amenity of the area. Cross River Partnership ([CRP](#)) has developed a 4-year action plan for Heart of London Business Alliance which includes the establishment of the Heart of London Buying Alliance, a shared supplier approach for the Heart of London area. This has resulted in office supplies delivered on electric vehicles from a [preferred supplier](#).

- Procurement to reduce road safety risks and particularly security of vulnerable road users (pedestrians and cyclists).



Case study: Standardisation of 11 procurement standards in London through the Construction Logistics and Community Safety initiative has ensured construction vehicles have additional safety equipment fitted, drivers have additional training and vehicles use certain specified routes to reach the site. [CLOCS](#) is now a national scheme supported by the construction industry and health and safety campaigners which aligns to road risk policy to site health and safety policy.

“While applying environmental criteria to procurement procedures can sometimes mean higher initial costs, the overall costs often actually decrease when the higher purchasing prices of green goods and services are compensated by lower operating, maintenance or disposal costs. In general, green public procurement does not increase costs but can actually help the purchasing organisation to cut costs” PWC 2009: [Collection of statistical Information on Green Public Procurement in the EU, 2008](#)

What barriers are there to using procurement measures as a means to influence urban freight movements? Are these barriers real or perceived?

Achieving smarter and cleaner distribution through purchase criteria is still not commonly adopted on a large scale across EU. While there are many good examples of effective practice demonstrated above, there is limited understanding of the benefits or perhaps these have not been sufficiently communicated.

There are many fewer barriers to the sharing of good procurement practice between the public and private sectors than 10 or 15 years ago, but what is a clear barrier are the fixed perceptions that exist in organisations, individual mind-sets and corporate cultures. It seems that adding environmental requirements to the procurement process is seen as increasing the risks that there will be too few bids, that tenderers will raise prices, or that the procurement process will be more complicated and difficult to manage.

There is a perception that EU procurement rules inhibit the public sector, despite recent attempts to simplify the rules and attempts to identify 'best value'. Also, despite the growing recognition that the cheapest option is not always the most sustainable, the issue of cost still appears to be the biggest barrier identified by Freight TAILS partner cities.

In relation to the issue of simple economics driving many business cases and making cost the major factor in award contracts, the partner cities identified that:

- A clear vision needs to be provided of wider city or business policies and the overall outcomes obtainable through procurement, associated with clear and identifiable criteria. Simply targeting environmentally friendly goods and services is not enough.
- There is a need to increase the awareness of the role of procurement to achieve change, to increase political / leader interest and gain management support.
- Awareness and understanding is needed of head office versus local decision making and the likely fear of change that exists. Existing ways of working can

be extremely difficult to change, so patience, relevant examples and external assistance may be needed to even begin the conversation.

- Need to acknowledge that achieving change may not be quick, as it may depend on future changes to contracts. It may also require tenders to identify the difference between product costs (more sustainable products and packaging) and delivery costs (number and frequency of trips). However, ‘quick wins’ providing important savings with minimum effort, should not be overlooked, changing an entire procurement procedure may take too long for some stakeholders, and taking smaller steps aligned with some [voluntary behaviour change](#) measures may convince people to change.



Environmental requirements in procurement processes
City of Stockholm

Purpose

- Provide an overview of the environmental requirements in procurement processes set by the City of Stockholm, and an evaluation of its impact on prices, on the industry and on the procuring body

Evaluation

- Prices were not affected by the environmental requirements
- Green procurement has not limited competition

Conclusion

- Dare to try something innovative
- Set gradual requirements that allow suppliers to make the necessary changes
- Set proportional requirements to avoid limiting bids from smaller suppliers
- Set specific contract conditions, instead of qualification requirements.

Case study: The City of Stockholm introduced UFT procurement requirements in three areas: passenger transport, furniture and office removal and groceries as part of CRP’s [FREVue](#) project. In the final report in 2016 they stated that “there are no indications that the City of Stockholm has been required to pay higher prices due to the introduction of green public procurement for transport ...based on a comparison of bids”.

When seeking to use procurement measures to influence urban freight movements, who are the key individuals in an organisation? How much do they know about freight / do they need to know about freight?

Changing habits to transform procurement practice may require strong support from senior management; be they board members, a chief executive or even politicians. However, it always requires those directly responsible for procurement to buy into the new way of working.

This could mean reaching out to central purchasing colleagues, fleet managers, or legal officers, to explain the issues and potential solutions and gain agreement to take action. It may also be about making their role easier, by providing standard conditions that work elsewhere, or by highlighting evidence of higher service levels or reduced costs.

Either way, the procurement team are central to any progress. Many procurement officers are only tasked with implementing basic contractual conditions and ensuring costs are within budget. Identifying who is ultimately responsible and communicating what UFT standards are required, is critical to address wider policy issues through procurement procedures.

The Freight TAILS partner cities identified that

- Clear leadership and responsibility are needed to avoid everybody thinking it is a good idea but it being no one's day job to initiate change. Identify the key stakeholder in an organisation to make a change; i.e. who is being charged for the delivery, rather than simply the individual ordering the goods or services.
- The municipalities central purchasing team may need a better understanding of freight and be clear about who is managing the contractor or supplier. They may also need training (legal and technical) to stimulate change. But ultimately their understanding of the buying power of organisations (both public and private) means that they are game changers in implementing sustainable urban freight solutions.

- Municipal policy and traffic departments may need to engage with procurement officers to discuss city-wide objectives and present alternatives to current contractual requirements. Policy and traffic departments could show the procurement team what the problems are in real life, and provide examples of good practice.
- Transforming the relationship between customer and supplier may entail negotiation, based on a common understanding of the overall outcomes required.
- Innovative organisations may gain benefits and access to incentives associated with new ways of working. These companies, having made the decision to embrace sustainable procurement, may be role models that a municipality can work with to address UFT concerns.

Procurers may not need to understand all the finite details of freight transport operations or the beneficial impacts to be convinced to change purchasing tactics. However, applying appropriate specifications and award criteria will require freight expertise to be available or access to a relevant evidence-base.



When would the changes required by one or more procurer lead to a change in urban freight activity from suppliers and logistics operators?

Understanding the impacts of current procurement is a powerful driver for change: identifying which measures are financially efficient but harm the environment, or which measures are bad value for money. For example, a low-cost waste solution for a hotel might involve being flexible with collection times, but if the collection occurs at 3am, resulting in guests and nearby residents being disturbed and giving a poor online review as a result, future bookings and relationships with local stakeholders may be impacted.

Immediate change to a contract may not be possible or practical. However, if procurement is recognised as an instrument to address UFT issues, relevant standards can be introduced when new contracts are drafted, or when existing contracts are reviewed or renegotiated. Freight TAILS partner cities also identified that:

- The size of an organisation can be influential in driving change and modifying the practices of other stakeholders. In this, the municipality needs to recognise the impact of their own buying power, and to connect quality and policy considerations to cost efficiency requirements.
- The supplier and the procurer (both the end customer and the purchasing team) both require a change of mind set to consider lower impact service solutions and identify the relevant costs of different options.
- The right relationships must be in place across an organisation to be able to act effectively when introducing new, or renegotiating contracts.
- Revised contract performance and results must be measured and monitored, to ensure value for money for public organisations, to demonstrate the benefits of the alternative approach, and encourage others to follow suit.
- Changes stimulated through procurement with one supplier, may have a broader impact than on trips to just that supplier. E.g. if public administrations require greener/safer vehicles to be used within their supply chains, those vehicles may be used in other supply chains too. This can help to create a market but also to push other people to make the “good” choice. In this way, procurement can be seen as a nudge.

Finally, there will always be changes in the marketplace. Changes to procurement practices may stimulate innovative market solutions and organisations should be prepared to adapt and improve their processes, especially if the results do not meet expectations.

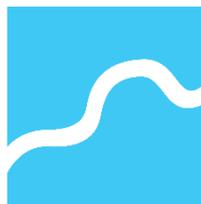
Recommendations

- Seek to fully understand the current situation: the purchasing systems in operation, who is responsible, and who needs to be involved (internally and externally) to implement change.
- Apply an approach which differentiates between product cost and delivery cost, and understand the full life-cycle cost (including reverse logistics and disposal) to ensure all costs are considered.
- Build the business case for change, understand the impacts of local freight transport, engage with colleagues and wider stakeholders, and encourage dialogue between procurement officers and logistics managers.
- Raise awareness of good practice examples from other municipalities, agencies or competitor businesses.
- Procurement regulation may not be the barrier it is assumed to be: EU Procurement Directives (2014) actually ‘simplify the procurement process and make it more negotiation based’.
- Take advantage of the large purchasing power of public authorities. The public sector can show that certain actions are feasible, effective, desirable and inexpensive, encouraging others to change behaviour.
- Monitor and evaluate contract performance to showcase results and ensure any change meets service criteria, anticipated costs and wider policy objectives.

The Freight TAILS Process: Urban Freight Transport and PROCUREMENT



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