Starting a Sustainable Purchasing Program Without an Official Policy: The Case of Indian Railways

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Agenda For Today

- A brief Intro of Indian Railways
- Status of SPP implementation in Indian Railways
- Key Takeaways from IR’s experiences
- Gap in IR’s Approach vis-à-vis SPLC’s Guidance
- Questions for Discussion
Indian Railway - A national rail-road organisation working under Ministry of Railways, Govt. of India

- 64,015 route Kms
- 12,000 Passenger Trains per day
- 7,000 Freight Trains per day
- 23 million passenger & 2.65 million tons freight traffic per day
- 1.34 million employee
- Annual procurement volume - more than $10 Billion
Key Enablers for Implementing SPP

**Country Level**
- Sustainability Policy
- Public Procurement Policy
- SPP Policy Framework
- Voluntary Standards & Eco-labels
- Awareness on Sustainability

**Organizational Level**
- Top Management Support
- Attitude towards adopting new ideas
- Capacity and training of Procurement professionals
- Awareness on sustainability

**Market Level**
- Market maturity for greener products
- Industry capacity to embrace innovation
- Institutional Mechanism to support SMEs
There is limited thrust on using public procurement policy to achieve national sustainable development goals.

<table>
<thead>
<tr>
<th>SPP Enablers</th>
<th>India</th>
<th>Indian Railways</th>
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<tbody>
<tr>
<td>Sustainability Policy</td>
<td>Climate Change Policy 2008</td>
<td>IR Vision 2020</td>
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<tr>
<td>Public Procurement Policy</td>
<td>GFR 2006</td>
<td>Codes, Manuals &amp; Guidelines</td>
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<tr>
<td>Sustainable Procurement Policy</td>
<td>NO POLICY</td>
<td>NO POLICY</td>
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<tr>
<td>Voluntary Standards &amp; Eco-labels</td>
<td>Eco-Mark, ISO 14001</td>
<td>Use is very limited</td>
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<td>Awareness on Sustainability Issues</td>
<td>Development Priority overrides Sustainability Concerns</td>
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<tr>
<td>Professionalism in Procurement</td>
<td>National Level - Good</td>
<td>Good to Very Good</td>
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<td></td>
<td>Local Level - Poor</td>
<td></td>
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<tr>
<td>Capacity &amp; Training on SPP</td>
<td>No attempt till now</td>
<td>Few Workshops/Seminars</td>
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<td>Market condition</td>
<td>Industries focused on export are proactive.</td>
<td>Most products are industry specific</td>
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Sustainability Champion has to wear many hats!

- Arranging Finance
- Piggyback Existing Initiatives
- Becoming Credible
- Build Legal Framework
- Networking
- Sustainable Champion
- Collaborating
- Standards & Labelling
- Communicating with Market
- Creating Awareness
- Earn Leadership Support
- Capacity Building
Indian Railways presents examples of integrating environmental criteria at every stage of procurement processes.

- Identification of need
- Specifications
- Vendor qualifying criteria
- Tendering & Tender evaluation
- Contract Management & Review

Procurement Processes
Despite no positive mandate to procure sustainable products, IR has gone ahead and integrated environmental and social concerns in procurement decision.

**Environment**
- Paper with Recycled Content
- BEE Star rated products
- Boron Free coolant
- Eco-friendly Refrigerant
- Procurement of Bio-toilets

**Society**
- 358 items reserved for procurement from SMEs
- Procurement of Linen and upholstery only from KVIC & ACASH
- Minimum 20% procurement from MSEs by 2015

**Renewable**
- Solar lighting systems for 1000 manned level crossing gates
- 200 remote railway stations as “Green Energy Stations”
- Mandatory Provision of SPV on roof top
- Railway Energy Management Co.
Case Study on Replacing Incandescent Lamps (ICLs) with Compact Fluorescent Lamps (CFLs) in Indian Railways
Barriers for Use of CFL in India

- Lack of Consumers Awareness
- High initial upfront cost of CFLs
- Lack of Consistent Quality & Standards
  - Short Life Span, Poor Light Quality, Market flooded with non-standard products
- Lack of availability of CFL in Rural Areas
- Doubt about promised Saving
  - Hurt Consumer Confidence
## Salient Features of Project

### Replacement of 1.4 Million ICLs with CFLs

The project was justified on the basis of life cycle cost of CFL

Households must exchange one working ICL with each CFL

Only CFL in high usage areas (Usage >3.5 hrs.) is to be replaced

End of the life management of CFLs was part of the scope

Railways to replace CFL from buffer stock, if fused within 3 years
Outcome of the Project

- **Economic**: Energy Saving - 112 Giga Unit*, Saving in Energy Bill - $9.0 M*
- **Social**: Benefit to 0.4 M households
- **Environment**: Reduction of 90,000 T* of CO$_2$ emission

*Figures per annum
UIC Sustainability Awards 2012

Jury’s Special Prize

Indian Railways
For “Improving Energy Efficiency in Railways by Leveraging Clean Development Mechanism”

Jean-Pierre Loubinoux, UIC Director General

Venice
26th October 2012
Sustainability champion may make short-term gain but institutionalizing the process is important for wider uptake.

- Sustainability champion important to create buzz around subject.
- But legal framework is important for initializing the process at organizational level.
- Communication plays critical role in bringing vendors on board.
- Leveraging environmental and social policies can speed up implementation.
- Best practices from other parts of the world can be replicated.
- Focus on business case of Sustainable Procurement such as Energy Efficiency Project.
Why Indian Railways has failed to scale up its sustainable purchasing program?
Guidance for Leadership in Sustainable Purchasing v1.0 is must-haves for anyone attempting to introduce sustainability in buying.

**STRENGTH**
- Guidance is organization neutral
- Advocates bottom-approach for bringing change
- Provides credible tools, tips, best practices and hand holding to Champion
- Promote a common expectation from suppliers

**WEAKNESS**
- Too much emphasis on Champion rather than TEAM
- Need to continue with projects that demonstrate economic return till management buy-in
What Could Have IR Done Better?

- IR taking responsibility for its supply chain impacts
- Reaching out to other stakeholders in procurement process
- Measuring and Communicating benefits of SPP initiatives to stakeholders
- Linking SPP programme with goals set in Vision 2020
- Creating institutional capacity for knowledge sharing
- Testing new initiative on SPP at pilot level
Thank you for your kind attention!