

# CLEAN START

## FAIR DEAL FOR CLEANERS



17 October 2009

## GREEN BUILDINGS

### KEY POINTS

- Tenant demand for green buildings is growing rapidly. Many governments are already committed to occupying only buildings with a National Australian Built Environment Rating System (NABERS) rating of 4.5 or higher.
- Green buildings offer clear benefits to property owners, including reduced operating costs and a longer life cycle.
- Government has introduced mandatory disclosure information for the commercial building sector on emissions, but this is expected to broaden to reporting on cleaning company operations.
- Large Australian Real Estate Investment Trusts (A-REITS) have added reporting responsibilities and liabilities where combined emissions of a portfolio push them above the corporate aggregation threshold.
- Owners have been encouraged to actively manage the tender process in light of new and emerging legislation on green buildings.
- Tenders for cleaning should also include enough time and training to cleaners to implement green cleaning initiatives.

### Climate change and the property industry

The commercial building sector (including office, retail, and accommodation) is currently responsible for 10% of Australia's greenhouse emissions.<sup>1</sup> However the sector is also well-positioned to achieve massive emissions reductions through energy efficiency measures. For example, a strategic approach to commercial building energy efficiency could reduce electricity use by 50% by 2030 and 70% by 2050.<sup>2</sup>

Many property owners and tenants have already taken their first steps to green their buildings, and are beginning to reap significant rewards. But there is much further to go, and owners who drag their feet will face serious risks in terms of commercial competitiveness and regulatory liability. A focus on building *operations* is often the missing piece required.

<sup>1</sup> Australian Sustainable Built Environment Council (ASBEC), *The Second Plank – building a low carbon economy with energy efficient buildings*, p 8.

<sup>2</sup> Property Council of Australia, "Climate Change, Sustainability, and the Built Environment", *2009 Policies on Climate Change & Environment*, <http://www.propertyoz.com.au/Advocacy/Platform.aspx?p=70&id=5>, viewed 1 April 2009, p 1.

## Tenant demand for green buildings

Tenant demand for green buildings is growing rapidly and tenants are able to seek out quality in environmental performance. In an 2008 Office Tenant Survey, 71% of tenants will have changed or are planning to implement changes to their workplace requirements to occupy properties that are more sustainable over the three-year period.<sup>3</sup>

## Increasing regulatory and reporting obligations

Mandatory disclosure of emissions and environmental sustainability already exists in the property industry and Property Australia expects that contractors, including waste management and cleaning contractors will have to meet compliance standards, bringing increased cost for property owners.<sup>4</sup> According to Jones Lang La Salle "Environmental reporting requirements are becoming more stringent and more complex."<sup>5</sup>

At present, the most important legislated mandatory disclosure system is the National Greenhouse and Energy Reporting (NGER) Act. Under this scheme, any commercial building to be sold, leased or sub-leased must have an energy efficiency rating and assessment report<sup>6</sup>. There are extra reporting requirements for large property trusts under the NGER where the combined emissions of their buildings push the trust above corporate aggregation thresholds.<sup>7</sup>

Reporting obligations for large property trusts includes providing data on all tenants and contractors that work at that site. Deacons law firm have advised owners to be active in the tendering process in order to be able to properly measure contractor practices:<sup>8</sup>

"If you've got no legal capacity to compel a tenant (or contractor) to provide that information then you as the landlord are pretty stuck if you've got an obligation to pass that information on and you don't have it. Mandatory disclosure does come with a pretty big risk for landlords. There are penalties if you don't disclose in the case of a building that's going to be sold and criminal sanctions if what you disclose is false and misleading."<sup>9</sup>

## The benefits of going green

Green buildings offer clear benefits to property owners, including:

- Significant decreases in operating costs based on energy efficiency measures. (Decreases of around 8-9% according to international research).<sup>10</sup>
- Higher rents. (Around 3% increase according to international research).<sup>11</sup>
- Higher rates of occupancy. (Around 3.5% increase according to international research).<sup>12</sup>
- Higher valued assets. (Around 7.5% increase according to international research).<sup>13</sup>
- Tenants experience increased staff productivity, lower turnover and increased ability to attract younger and more talented workers.
- Enhanced reputation among industry partners, shareholders and the community.

<sup>3</sup> *Environment & workplace well being key issue for Australian office tenants*, Media release, Colliers International, 21/08/08, viewed 10/04/2009 at <<http://www.colliers.com.au/site/page.cfm?u=178&t=content&cld=299>>

<sup>4</sup> S Robinson, "Paperwork for a greener future", *Property Australia*, vol 23, no. 4, December 2008, p. 70.

<sup>5</sup> *ibid.*

<sup>6</sup> J Taylor and S Jones, "Mandatory disclosure – coming to a building near you" viewed 24/09/09 at

<http://www.yourbuilding.org/Article/NewsDetail.aspx?p=83&mid=1562> First published in *Property Australia* on 09 Mar 2009.

<sup>7</sup> Deacons partner Felicity Rourke speaking at 'The carbon obligation', Property Council of Australia forum, 27 August 2009. Viewed 5/10/09 at <<http://www.yourbuilding.org/Article/NewsDetail.aspx?p=83&id=1937>>

<sup>8</sup> *ibid.*

<sup>9</sup> *ibid.*

<sup>10</sup> S Robinson, "The Green Performance Challenge", *Property Australia*, February 2008, Vol 22, No 5, p 76.

<sup>11</sup> *ibid.*

<sup>12</sup> *ibid.*

<sup>13</sup> *ibid.*

- Ethical investment opportunities.
- Longer life cycle of buildings and other assets.

Depending on how aggressively property owners pursue these benefits, assets will at the very least be protected from obsolescence, or preferably, stand out from the market and attract a premium. The opportunity for substantial savings and increased profitability demands that property owners go green.

### **A green start for Clean Start**

The Clean Start campaign has begun to work with cleaning companies and owners to develop ways to improve the environmental performance of buildings. As cleaners and security guards, LHMU members know that there are many improvements that can still be made. However they also report that green initiatives such as recycling place added demands on an already over-stretched cleaning services.<sup>14</sup> With over 20% of cleaners nationally saying they never have enough time to finish their work, and 53% only having enough time to sometimes finish their work,<sup>15</sup> any green cleaning initiative risks failure unless cleaners are given enough time and training. The Clean Start campaign has a great history of working with cleaners, owners and cleaning companies to improve the industry. The Clean Start Agreement is sure to deliver what the industry says it needs: fair workloads for cleaners, fair hours and quality training and inductions. Clean Start also means the introduction of better wages and job security, which will stabilise the industry and help to retain skills. In these ways, Clean Start creates the right environment for developing green building operations.

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<sup>14</sup> *Cleaning Industry Failing to Communicate its Green Credentials*, InClean Australasia October/November 2007

<sup>15</sup> Final Report – Assessment of the Repetitive Manual Tasks of Cleaners © WorkCover NSW Cleaning Industry Steering Committee Report prepared by Health & Safety Matters Pty Ltd, February 2005, pp.43-44