



Integrating Environmental Objectives into Information Technology Leases

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PURPOSE

This document explains how certain types of leasing arrangements can help your agency procure “greener” electronic equipment, extend the product life cycle, and ensure proper management of equipment at the end of life.

INFORMATION TECHNOLOGY LEASES

How can leasing computer equipment help your agency achieve its environmental goals? If your agency already leases equipment, consider integrating environmental objectives into the lease contract. If your agency currently purchases its equipment, you might look into leasing as a strategy to “outsource” the redeployment and disposition of your equipment.

This document discusses some potential benefits of leasing equipment, and how the selection of vendors and leasing terms can promote environmental objectives. All leasing programs, contractors and vendors do not offer the same environmental advantages. With some upfront research about the environmental impact of the equipment and the environmental policies of vendors and leasing companies, leasing computers may help your agency procure greener electronic equipment, extend the product life cycle, and ensure the proper management of equipment at the end of life.

Computer Leasing Options

There are three principal leasing options used today in federal government contracting: Lease to Ownership Program (LTOP), Lease with Option to Purchase (LWOP) and Lease. Equipment ownership at lease end differs among the options, which has implications for your agency’s role in product reuse and disposition.

With a LTOP, equipment ownership is transferred to the governmental entity at the end of the lease term. Equipment upgrade, redeployment and ultimate disposition become the responsibility of the government. Disposition must be done in accordance with the Federal Acquisition Regulations (FAR), Federal Management Regulations (FMR), and specific agency regulations on property management. From an environmental perspective, the LTOP offers no advantage over an environmentally thoughtful purchase of new or reconditioned equipment, since the burden for disposition remains with the government.

The LWOP or Lease structures are fundamentally different from the LTOP. The government does not own the equipment in a LWOP or Lease structure. If the government does not elect to exercise the LWOP purchase option, ownership, including the responsibility for disposition, remains with the contractor or vendor. Prior to awarding a contract, the government can specify contract requirements that support the environmental objectives of the agency (or Federal Electronics Challenge). The LWOP and Lease options put the responsibility of complying with environmental requirements with the contractor. Contractors, and the vendors and leasing companies that support them, vary in their application of and adherence to environmental principals. The government can consider this information as evaluation factors for contract awards.

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Below are some examples of how a lease and leasing companies can be used to help your agency address environmental objectives. The procurement, resale and recycling practices of leasing vendors vary. Careful screening and selection of vendors is necessary to ensure that environmental goals are met.

Purchasing

- Leasing companies can be a powerful influence in the marketplace for environmentally-preferred computers, since they procure a significant volume of computer assets annually. Leasing companies typically make large purchases based on the criteria and attributes specified by the end user. To that end, agencies can influence the lessors' and manufacturers' product offerings by outlining environmental requirements.
- Leasing companies also may offer used equipment alternatives that meet your agency's functional needs at a lower cost, extending the useful life of already manufactured equipment and promoting reuse.

Product Life Extension

- Computer hardware and software needs can be assessed at the end of the lease period, and a decision made on whether to extend the lease, purchase the equipment, or lease new equipment. Agencies can request maintenance and software caps up front for the potential out years, protecting the agency should it elect to renew the equipment beyond its initial term.
- If appropriate to the user's needs, equipment can be upgraded or redeployed within the agency.

Product Redeployment and Reuse

- Leasing companies have an incentive to preserve the value of computer assets by extending the product's useful life. Since deploying and redeploying assets is their core business, leasing companies often have the expertise and well-established secondary markets and customers for used equipment.
- Lessors may also provide an equipment donation option to meet your agency's goals.

Equipment Disposition

- Since the leasing company is the owner of the computer assets, they can plan and manage computer disposition, from desktop de-installation and data destruction to vendor audits, recycling and disposal.

Negotiating A Lease

When negotiating an equipment lease, consider the following strategies to help promote life-cycle environmental goals:

- Discuss your agencies' environmental objectives with leasing vendors to determine which vendors can address your needs, from procurement to reuse and recycling.
- Include environmental requirements for equipment redeployment, hardware and software upgrades, donation or end-of-life recycling in the terms and conditions of leasing contracts.



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- Consider longer lease terms to extend initial product life.
- Maximize value by defining lease terms and product life extension strategies for different types of equipment (for example, desktops, laptops, printers, mid-range and mainframe computers) based on useful life.
- Negotiate optional extensions of warranty and software licenses beyond lease term.
- Include financial incentives for lease renewal in terms.
- Conduct a thorough review of vendor's upgrade, resale, recycling and disposition practices.

REFERENCES

The Federal Acquisition Regulations are available online from the Office of Federal Procurement Policy at: <http://www.acqnet.gov/far/>.

Information about the Federal Management Regulations is available online from the U.S. General Services Administration at: <http://www.gsa.gov/federalmanagementregulation/>.

CONTACT INFORMATION

If you have questions related to this resource or need other assistance with the Federal Electronics Challenge, please contact your Regional Champion. The list of FEC Regional Champions is available at <http://www.federalelectronicschallenge.net/champions.htm>.

Partners may also request technical assistance via email to partner@electronicschallenge.net.

FEDERAL ELECTRONICS CHALLENGE

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