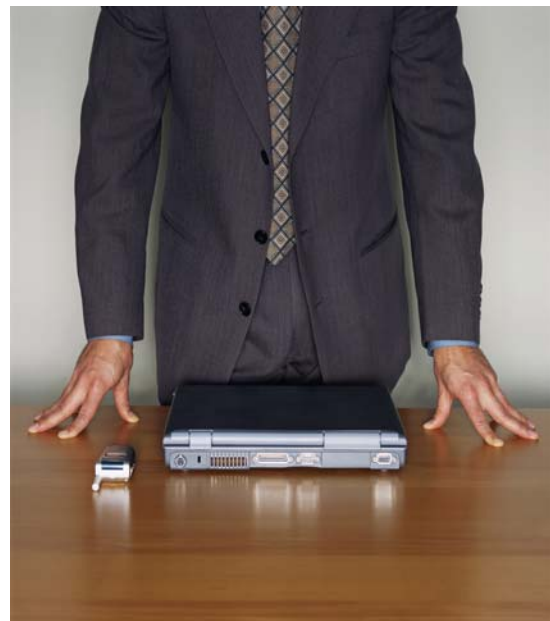




Department of Treasury and Finance
Government of Western Australia

WHO BUYS WHAT

An Overview of
2006-07 Western Australian
Government Purchasing Statistics Report



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Introduction

The Department of Treasury and Finance (DTF), working with the State Supply Commission (SSC), is pleased to present the Who Buys What report for 2006-07.

This annual supply statistics report provides a tool to recognise the expenditure that Western Australian government agencies make in the local procurement market. Statistics shown in this report are compiled from information supplied by agencies under the jurisdiction of the State Supply Commission Act 1991 - "the Act". Some government agencies that fall outside the jurisdiction of the Act provide the information on a voluntary basis. 101 Western Australian government agencies contributed their expenditure data to produce this report.

Overall expenditure on goods and services, construction and related services reported for the year 2006-07 was \$9.60 Billion, compared to the previous year's reported figure of \$9.26 Billion¹.

The SSC required public authorities to provide their Who Buys What information using the United Nations Standard Products and Services Code (UNSPSC). This is the second year that this report has been compiled using the internationally accepted UNSPSC system. In 2005, the SSC in consultation with the DTF, supported the replacement of the North Atlantic Treaty Organisation (NATO) Supply Codes and the Provisional Supply Services Classification (PSSC) codes with a new, single commodity classification system. The Australian Procurement and Construction Council has endorsed the use of this classification coding system across all government jurisdictions, and the DTF currently leads a working group to share information and provide input for the future development of the UNSPSC within the Australian public sector.

Who Buys What reports on the GST exclusive expenditure for the reporting financial year arising from the purchase of goods and services (including construction works) for the operation of an agency. Public authorities must report on expenditure with both public and private sector providers. However, agencies that provide services to other agencies and pass the full costs on to the requesting agency should not report these costs. For example, the Department of Housing and Works does not report on the value of works and maintenance that they have facilitated for other agencies, but they should report the costs of managing the framework.

For an electronic copy or additional information on the content of the Who Buys What report and UNSPSC, please refer to the DTF (www.dtf.wa.gov.au) and SSC (www.ssc.wa.gov.au) websites, or alternatively contact DTF on telephone (08) 9222 5468 or email unspsc@dtf.wa.gov.au.

1. Expenditure on utilities was included for the first time in the 2005-06 Who Buys What report.

What is UNSPSC?

UNSPSC is an internationally recognised classification system that uses 8 digit numeric classifications to identify commodity groups and individual products and services. The Who Buys What report uses UNSPSC to group similar commodities together to enable whole of government expenditure reporting. The classifications are structured in a hierarchy where the levels are as follows, from high aggregated to a low detailed level:

Level	Description
Segment	The logical aggregation of families for analytical purpose. Example: "Furniture and Furnishings"
Family	A commonly recognised group of inter-related commodity categories. Example: "Accommodation Furniture"
Class	A group of commodities sharing a common use or function. Example: "Outdoor Furniture"
Commodity	A group of substitutable products or services. Example: "Outdoor Chairs"

The UNSPSC covers virtually any product or service that can be bought or sold whether they are raw materials, industrial manufacturing equipment, product and machinery components and supplies, manufactured products and services. It includes more than 21,000 codes for everything from pencils to computers and accountancy to cleaning services.

New versions of UNSPSC are released regularly to keep pace with the dynamic nature of the business environment through the development of classifications for new products and services and to modify or delete existing classifications.

Research shows that the UNSPSC is the best commodity classification system for government agency expenditure reports. The recommended Who Buys What approach is based on mapping expenditure accounts in agencies' Chart of Accounts (CoA) to the most appropriate UNSPSC classification. The objective is not to attempt to map an agency's entire chart of accounts to UNSPSC, but to target only those accounts used to record the expenditure on goods and services purchasing.

To learn more about the UNSPSC, visit the DTF website at www.ogp.wa.gov.au.

Purchasing Statistics

Classifications used in these statistics

This report has been compiled at the minimum hierarchy level of “family” in accordance with UNSPSC version 8.0401. “Family” is the second tier of classification in UNSPSC. This year, a greater number of agencies provided information at a more detailed level in UNSPSC (ie below the family classification). The DTF will continue to work with agencies to ensure that their expenditure is classified to the appropriate level of the UNSPSC framework for future Who Buys What reports.

Appendix 3 provides a summary of the specific UNSPSC codes featured within this report.

Exclusions

This report reflects agencies’ commercial purchasing and therefore excludes a number of areas of expenditure within Government defined as ‘non-supply’ activities. These include payments or “purchases” associated with items such as salaries and wages, statutory and involuntary payments, grants and subsidies, finance and capital charges and government bodies’ compulsory acquisition of commodities for orderly marketing purposes.

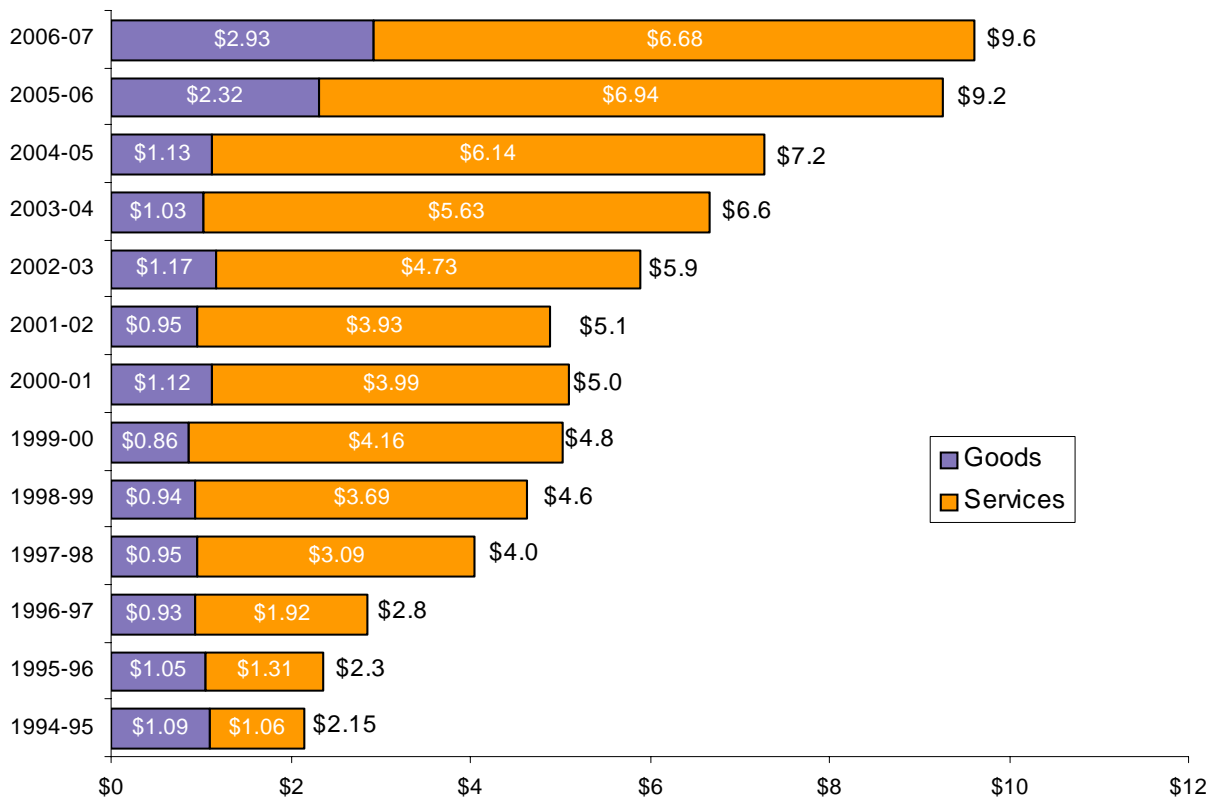
A number of government agencies are not included in the individual goods and services statistical information in this report. However, total annual expenditure on goods and services for these agencies is included in the total government expenditure of \$9.6 Billion.

Please refer to Appendix 2 for more information about these exclusions.

Overall Expenditure

The WA Government spent \$9.6 Billion on goods and services, construction and related services in 2006-07. Figure 1 provides a comparison of goods and services expenditure for 2006-07 with previous years.

Figure 1: Comparison of expenditure on goods and services from 1994-95 to 2006-07



The State Government's total spend on goods and services, construction and related services increased 4% from \$9.2 Billion in 2005-06 to \$9.6 Billion in 2006-07.

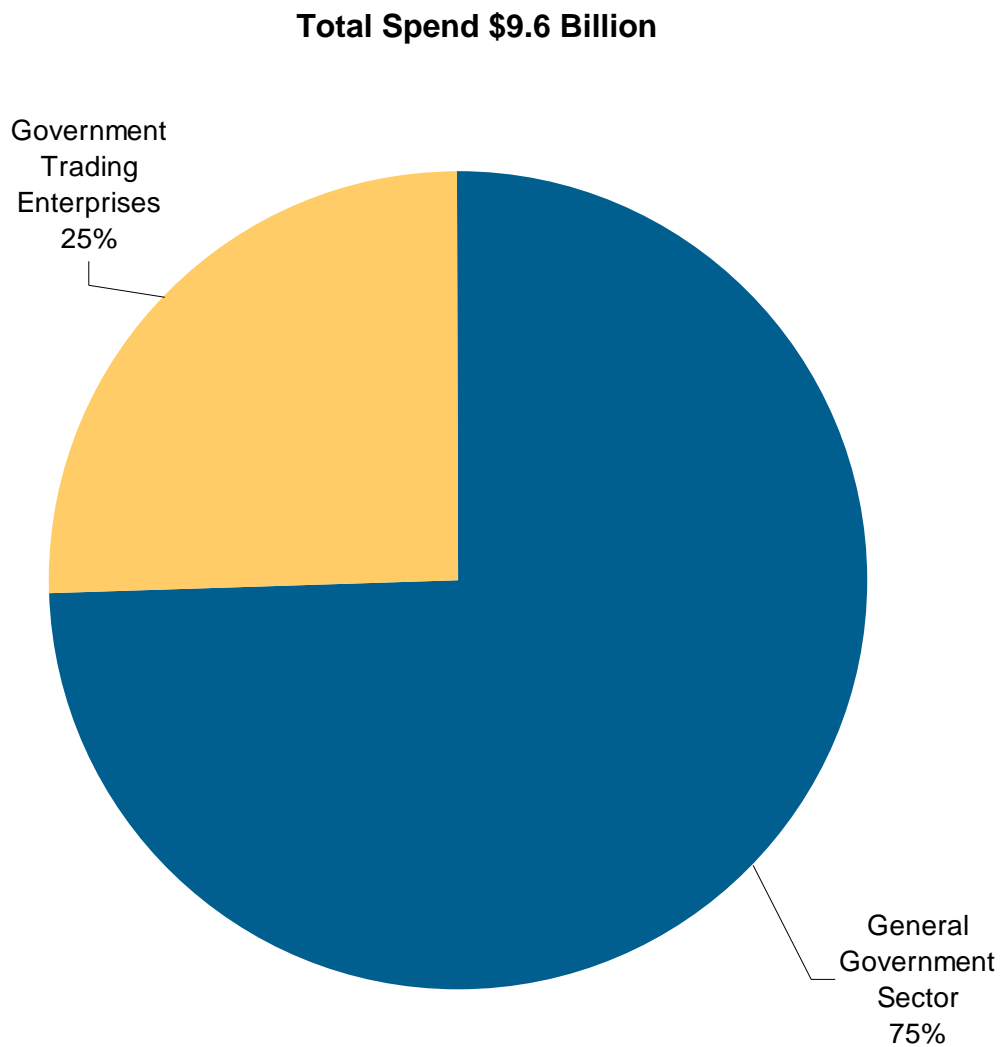
Overall expenditure on goods increased 26% from \$2.3 Billion in 2005-06 to \$2.9 Billion in 2006-07. The biggest increase was within the Health and Medicine classification with an increased expenditure of \$139 Million.

Overall expenditure on services decreased 4% from \$6.9 Billion in 2005-06 to \$6.7 Billion in 2006-07. The largest decrease was \$27 Million in the spend classification for Industrial services. Note that 2005-06 was the first year to use UNSPSC, and several areas of spend, such as utilities were included in the Who Buys What report for the first time.

Comparison between General Government Sector Agencies and Government Trading Enterprises

In 2006-07, the General Government Sector (GGS) represented the majority of the total purchases. The GGS had a total value of \$7.16 Billion (75%), compared to the \$2.45 Billion (25%) spend by Government Trading Enterprises (GTEs). The GGS spend was \$820 Million more than in 2005-06.

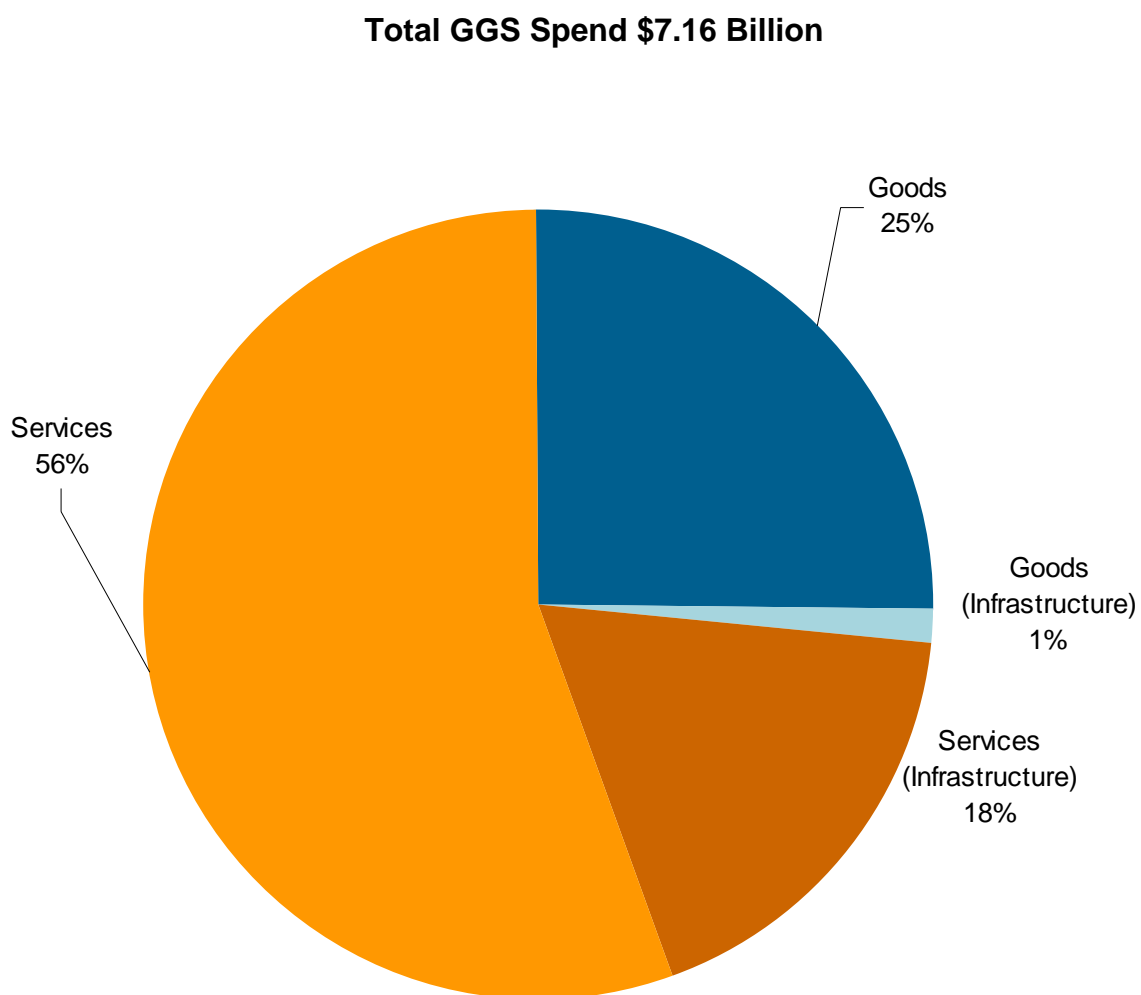
Figure 2: Breakdown of expenditure between General Government Sector Agencies and Government Trading Enterprises



Comparison between Expenditure on Goods and Services

In 2006-07, services represented the majority of the total purchases. The total value of the spend on services was \$5.26 Billion (73%), compared to the \$1.9 Billion (27%) spent on goods. The spend on services in 2006-07 was 13% more than in 2005-06².

Figure 3: Breakdown of expenditure on goods and services and construction and works in the 2006-07 financial year

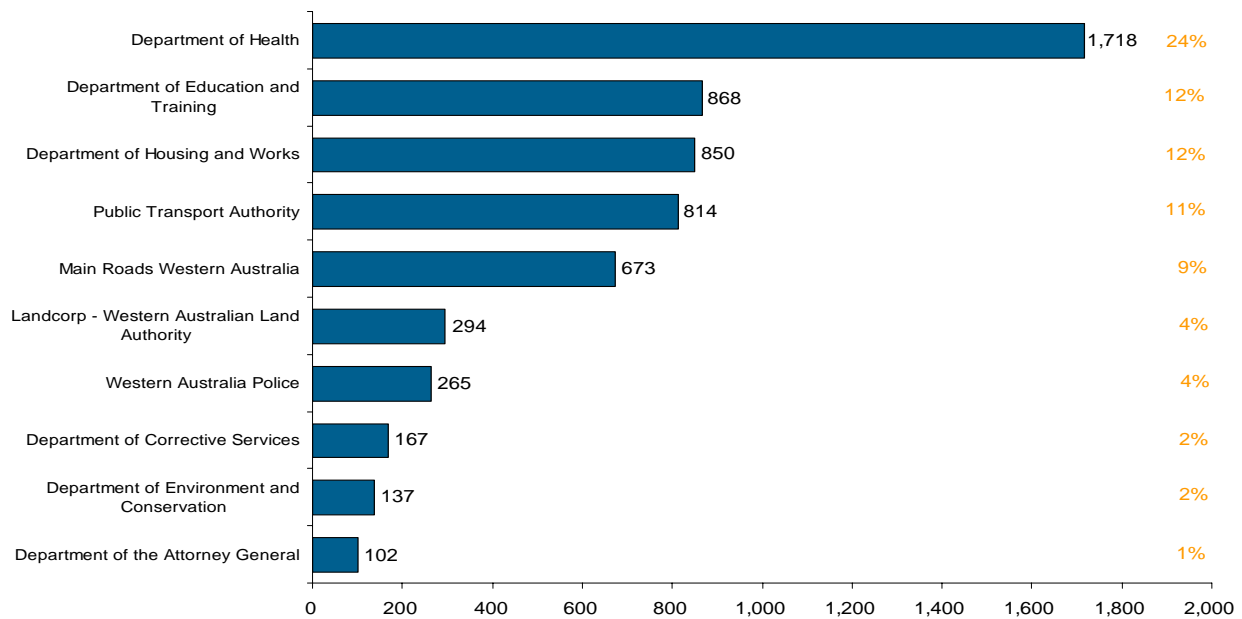


2. Note that these values exclude Government Trading Enterprises for the rest of this report.

Top 10 Agencies

The agencies with the highest overall expenditure on goods and services in 2006-07 are listed in Figure 4.

Figure 4: Top 10 agencies purchasing goods and services in 2006-07



Together, the top 10 agencies represented 82% of the total government spend in 2006-07. Nine of the largest spending agencies in 2006-07 were also in the top 10 in the 2005-06 Who Buys What report (when GTEs are excluded). The Department of Health stayed in the top position with a total reported spend of \$1.72 Billion.

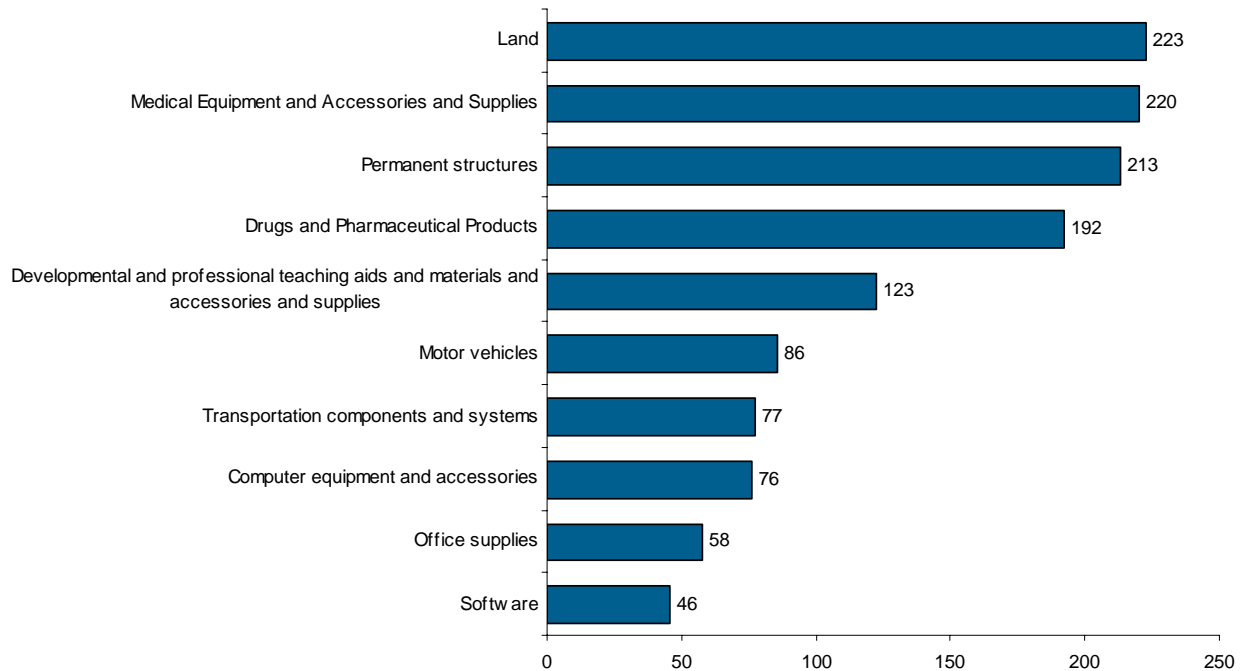
The table below compares the spend by the top 10 agencies in 2006-07 with expenditure reported in the 2005-06 Who Buys What report.

Agency	2005-06 (\$ Millions)	2006-07 (\$ Millions)	Difference (\$ Millions)
Department of Health	1,560	1,718	158
Department of Education and Training	669	868	199
Department of Housing and Works	643	850	207
Public Transport Authority	966	814	-152
Main Roads Western Australia	502	673	171
Landcorp - Western Australian Land Authority	210	294	84
Western Australia Police	246	265	18
Department of Corrective Services	75	167	92
Department of Environment and Conservation	85	137	53
Department of the Attorney General	188	102	-86

Expenditure on Goods

The top 10 categories of goods purchased by general government agencies in 2006-07 are illustrated in Figure 5. Expenditure on these family³ category codes comprised approximately 69% of all government agencies expenditure on goods.

Figure 5: Top 10 categories of goods purchased in 2006-07



The Department of Housing and Works (\$99.1m), Landcorp (\$65.3m) and Main Roads Western Australia (\$26.9m) represent approximately 86% of spend for the land category. The Department of Health has the bulk of expenditure within medical equipment, accessories and supplies with approximately \$219m of \$220m. Permanent structures are represented by the Department of Health (\$96.3m), Department of Housing and Works (\$55.5m) and the Public Transport Authority (\$23.7m) totalling some 82% of this category.

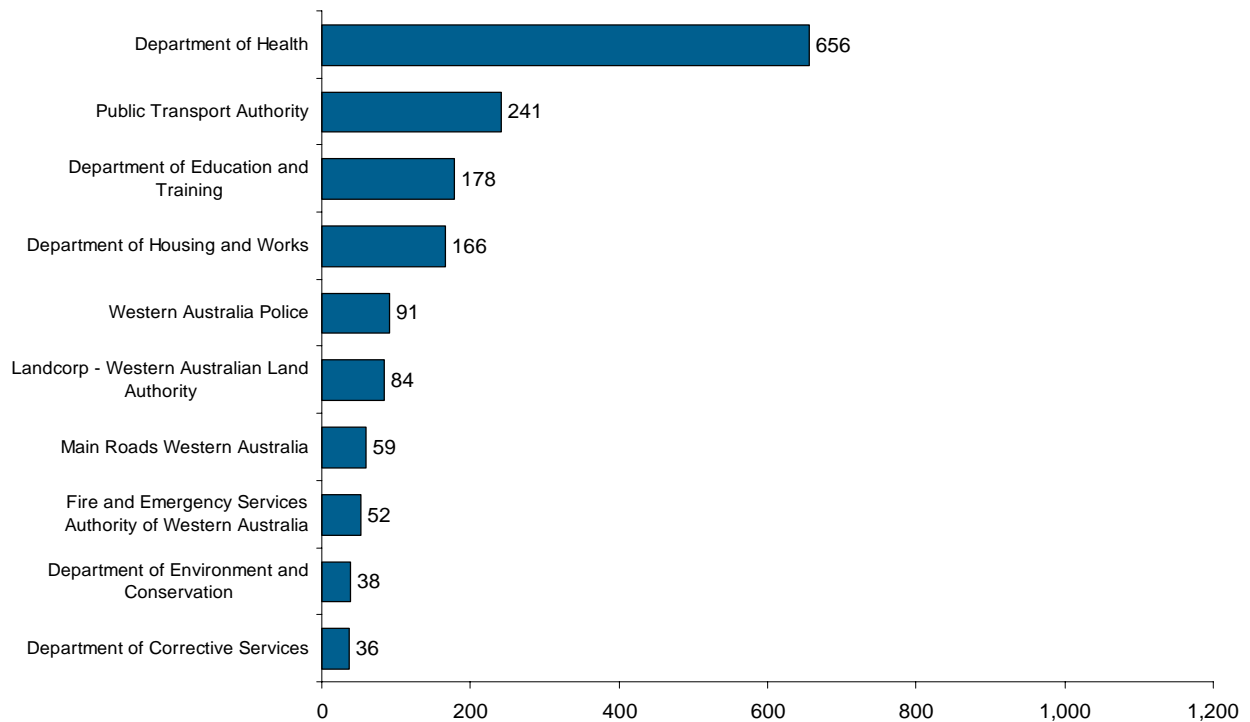
See Appendix 1 for more detailed information on spending by UNSPSC.

3. Medical Equipment and Accessories and Supplies; and Drugs and Pharmaceutical Products were included in figure 5 at the Segment classification for UNSPSC as client agencies are asked to remain at this level for reporting purposes.

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Figure 6: Top 10 agencies purchasing goods in 2006-07

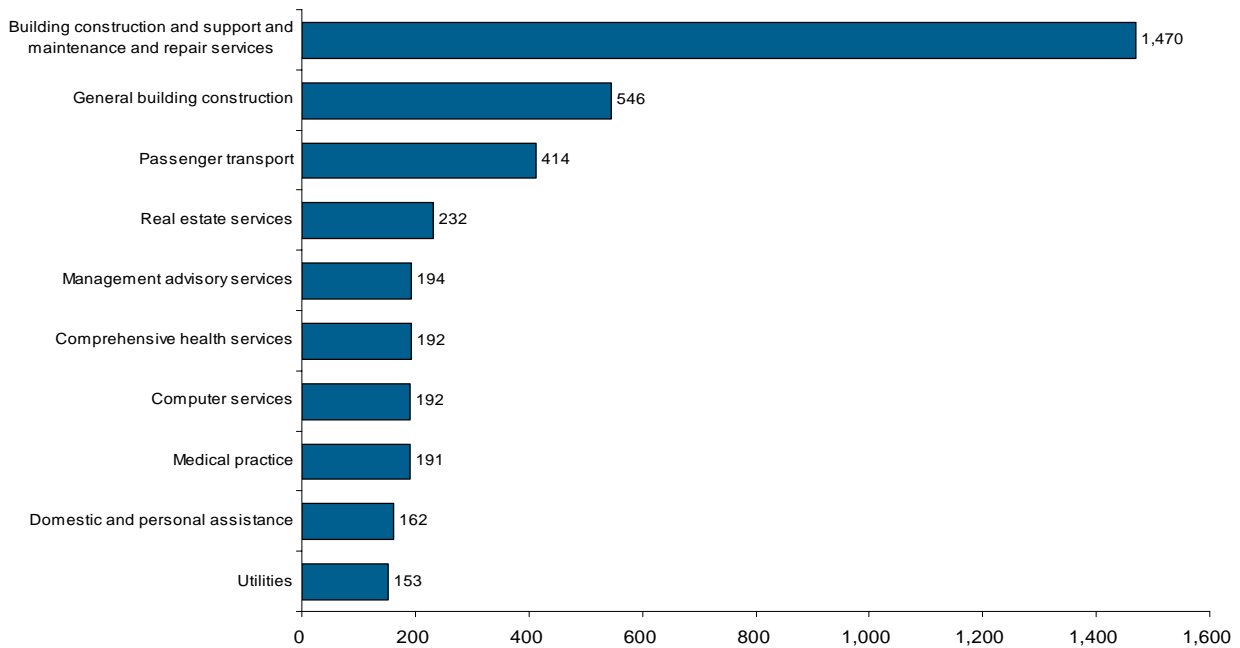
One third of the Department of Health's goods expenditure (\$219.1m) relates to medical equipment, accessories and supplies. Other areas of high expenditure were drugs and pharmaceutical supplies (\$189.9m) and permanent structures (\$96.3m). The Public Transport Authority's high spend areas included transportation components and systems (\$71.2m), buses (\$33.9m) and roads and landscape (\$22.7m).



Expenditure on Services

Figure 7 identifies the top 10 services that general government agencies purchased in 2006-07. Expenditure in these 10 family category codes comprised 71% of all expenditure on services. Further information on service categories can be found at Appendix 1.

Figure 7: Top 10 categories of services purchased in 2006-07



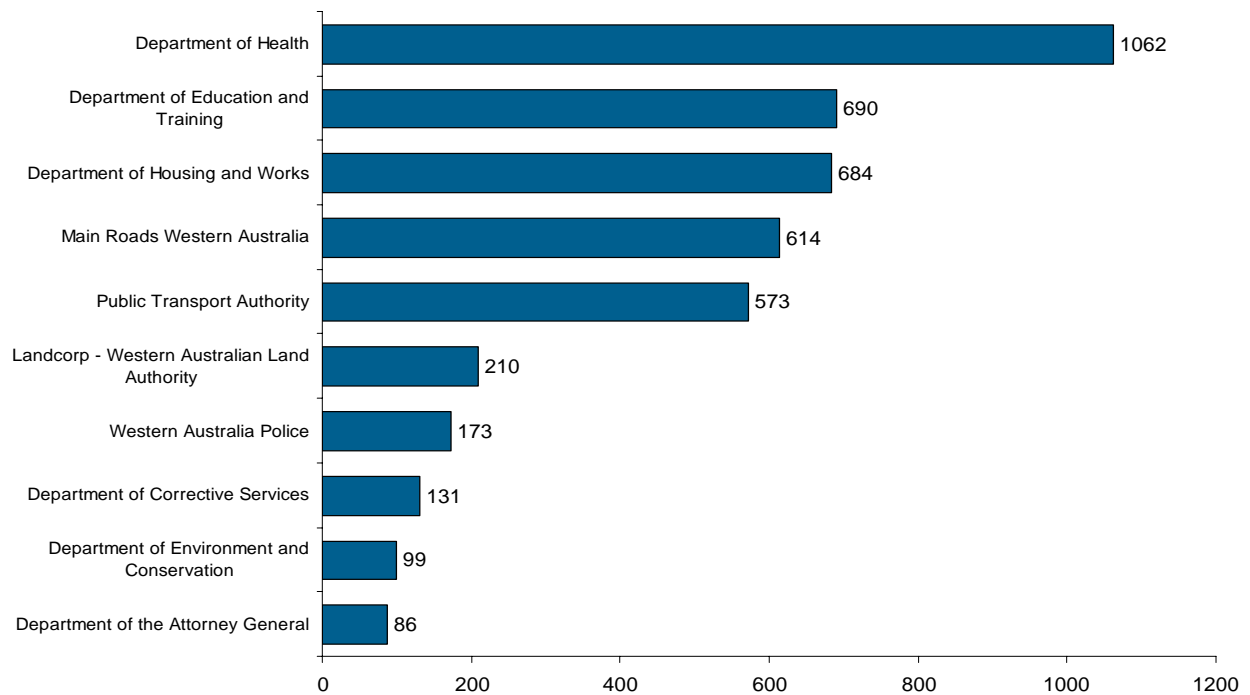
Main Roads Western Australia (\$521.6m), the Department of Education and Training (\$445.7m) and the Department of Housing and Works (\$290.9m), represent approximately 86% of spend for the building construction, support, maintenance and repair services category. The Department of Housing and Works (\$236.7m), Public Transport Authority (\$151.1m) and Landcorp (\$124.0m) comprise some 94% of the total expenditure of \$546m within the general building construction category.

See Appendix 1 for more detailed information on spending by UNSPSC.

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Figure 8: Top 10 agencies purchasing services in 2006-07

Approximately half of the Department of Health's major reported service expenditure was in comprehensive health services (\$186.6m), medical practice (\$175.4m) and domestic and personal assistance (\$158.4m).



Expenditure variance between classifications

The State Supply Commission determined that reporting at UNSPSC segment level was sufficient for some types of goods expenditure for the 2006-07 Who Buys What report. Agencies were asked to report their expenditure for the following types of goods at segment level only.

- Laboratory equipment and supplies (41000000);
- Medical equipment and supplies (42000000);
- Food and beverages (50000000); and
- Drugs and pharmaceutical supplies (51000000).

Whilst agencies were informed to report at the higher segment level, a number of agencies continued classification of spend to lower levels of UNSPSC within these classifications.

Additionally some agencies only classified some of their expenditure at the UNSPSC segment level (other than the above). The total expenditure reported at segment level only was \$250.4m (Figure 9).

The DTF will work with agencies to further develop the level of reporting required for future Who Buys What reports.

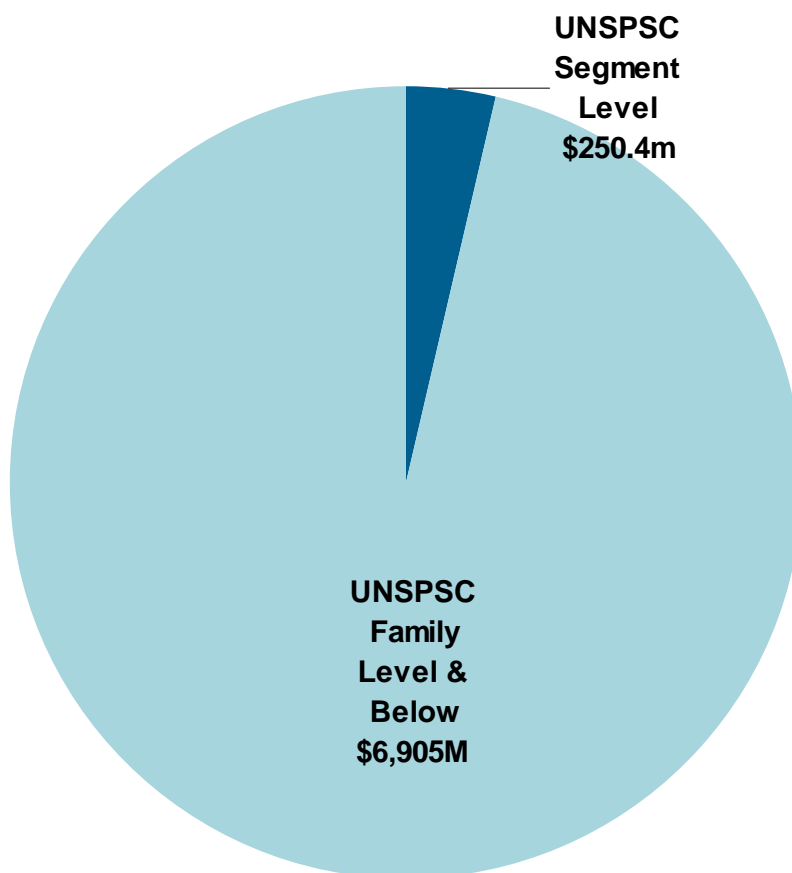
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The following graphs illustrate reported expenditure at the various levels, highlighting spend within these categories and the major agencies where this has occurred.

The total spend reported by general government sector agencies was \$7.16 Billion of which \$6.9 Billion was reported at the family level of UNSPSC or in even greater detail. By design, \$0.25 Billion was reported at the segment level of UNSPSC.

The graph below illustrates the spend classified at family and segment level.

Figure 9: Classification of Expenditure (\$ Millions)



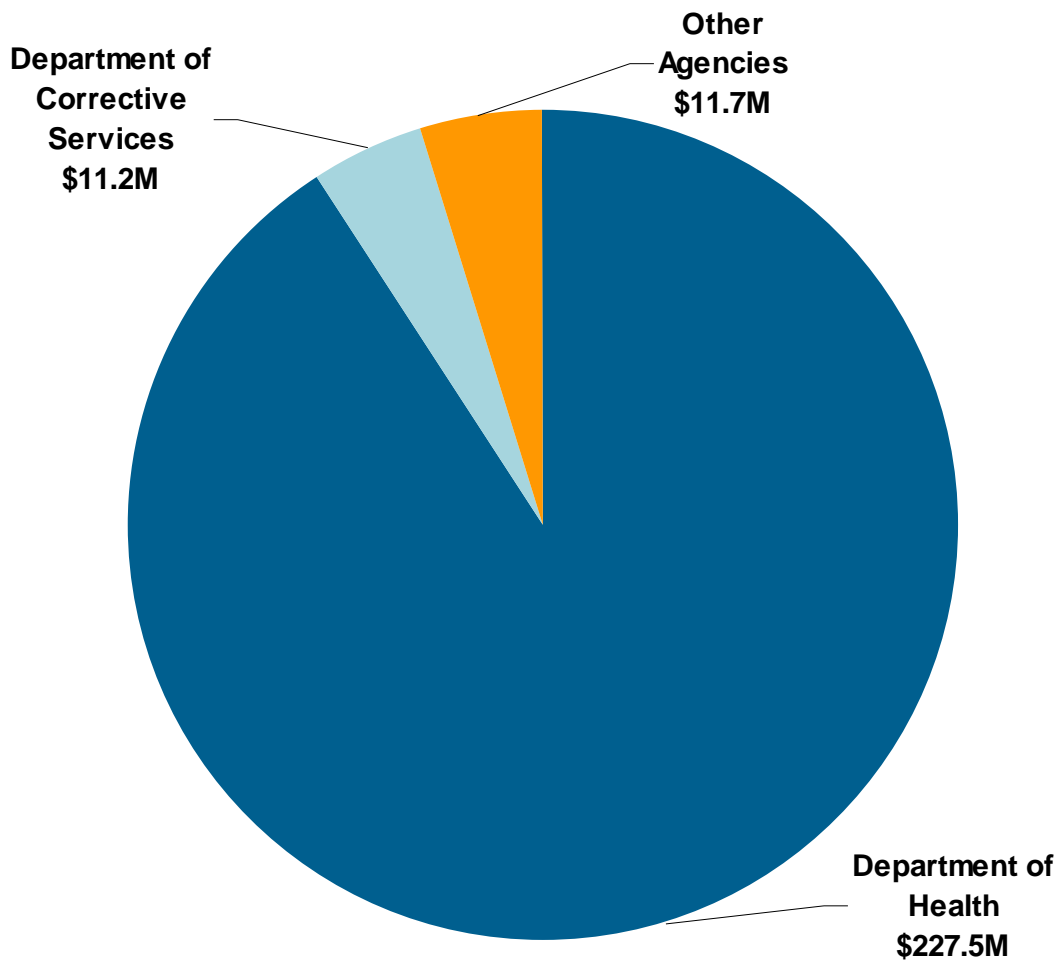
As a result, \$250.4 Million of general government spend is not included under the detailed analysis reported in the Appendices.

Figure 10: Agency breakdown of UNSPSC segment level expenditure and Goods and Services (UNSPSC unclassified)(\$ Millions)

The graph below illustrates the spend by government sector agencies that was reported at the segment level.

Agencies reported a total of \$250.4 Million at the segment level. The Department of Health reported \$227.5 Million, divided between all four of the segment level categories. This represents 91% of the segment level spend.

Department of Corrective Services reported \$11.2 Million of which 98% was against segment 5000000.



Expenditure by Group

At the family level, UNSPSC has 353 codes. In the following table, family classifications have been grouped to assist in summarising government expenditure. This grouping has also been used in Appendix 1 to present the total spend at more detailed family classifications within each individual group across government. The variance is a comparison to expenditure from the 2005-06 Who Buys What report at the group level.

Group	Group Description	Expenditure \$	%	Variance
A	Agriculture, Horticulture, Plants & Animals	\$31,012,824	<1%	▼
B	Building & Construction	\$2,307,550,315	33%	▲
C	Cleaning	\$44,122,352	<1%	▼
D	Domestic & Personal	\$196,854,673	3%	▲
E	Educational	\$204,991,942	3%	▲
F	IT, Telecommunications, Electronic & Electrical	\$481,686,777	7%	▲
G	Environment & Waste Disposal	\$79,665,646	1%	▲
H	Health & Medicine	\$699,588,800	10%	▲
I	Industrial Services	\$8,454,813	<1%	▼
J	Industrial Components	\$22,550,124	<1%	▲
K	Industrial Machinery	\$15,330,990	<1%	▲
L	Law, Order & Safety	\$177,835,927	3%	▲
M	Mining	\$162,657	<1%	▼
O	Office & Commercial	\$112,195,752	2%	▲
P	Professional	\$1,151,917,633	17%	▼
R	Recreational, Catering, Food & Hospitality	\$71,054,218	1%	▲
S	Storage	\$10,954,782	<1%	▲
T	Travel & Transportation	\$740,774,423	11%	▼
U	Utilities	\$152,786,393	2%	▲
X	Temporary Codes	\$395,465,237	6%	▲
	Total	\$6,904,956,277		

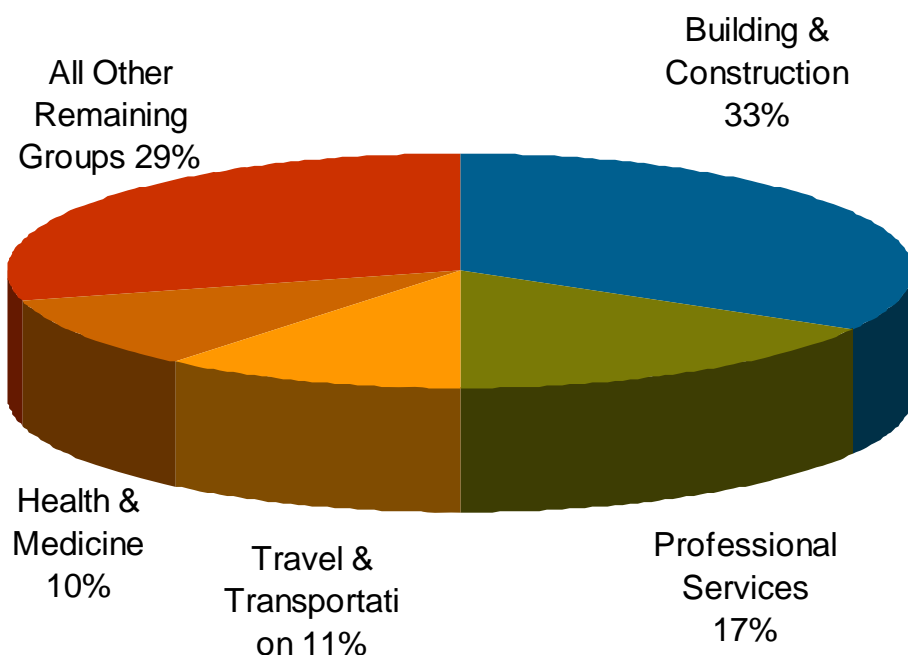
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In 2006-07, general government sector spending was concentrated in four groups, that together represented 71% of total spend. These were:

- Building and Construction (Group B). Agencies reported a total spend in this group of \$2.31 Billion, which represented 33% of the total. This group includes the spend on building construction, support, maintenance and repair services (\$1.5 Billion) and general building and construction (\$0.55 Billion).
- Professional Services (Group P). This group included the spend on management advisory services (\$0.19 Billion), human resource services (\$0.15 Billion) and real estate services (\$0.23 Billion).
- Travel and Transportation (Group T). The total spend reported by agencies in this group was \$0.74 Billion. This group includes spending on passenger transport (\$0.42 Billion) and motor vehicles (\$0.09 Billion).
- Health and Medicine (Group H). Agencies reported \$0.70 Billion in this group, not including the spend reported at the segment level. Significant spending was reported in this group on comprehensive health services (\$0.19 Billion) and medical practice (\$0.19 Billion).
- IT, Telecommunications, Electronic and Electrical (Group F). Agencies reported a total spend of \$0.48 Billion. This group included spending on computer services (\$0.19 Billion) and Telecommunication Media Services (\$0.11 Billion).

For more information on the detailed spend by group, see Appendix 1.

Figure 11: Total spend of the top 4 groups is \$5.17 Billion



Note: does not include spend reported at a summarised or segment level.