



Government of **Western Australia**
Department of **Treasury and Finance**
Government Procurement



WHO BUYS WHAT

An Overview of
2007-08 Western Australian
Government Purchasing



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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 (WBW) report for 2007-08.

This report is 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. One hundred and one 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 2007-08 was approximately \$10.56 Billion, compared to the previous year's reported figure of \$9.60 Billion¹.

The SSC required agencies to provide their Who Buys What information using the United Nations Standard Products and Services Code (UNSPSC). This is the third 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 (APCC) 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. Agencies 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 in their WBW return. 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 reports the costs of managing the framework.

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

1. Where power utilities were not able to provide their goods and service expenditure for this report, the values from the 2006-07 Who Buys What report were used, in order to provide a reasonable estimate for comparison between years.

What is the UNSPSC?

The UNSPSC is an internationally recognised classification system that uses eight digit numeric classifications to identify commodity groups and individual products and services. The Who Buys What report uses the 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 an aggregated summary to a more 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 or cleaning services.

New versions of the UNSPSC are released regularly to keep pace with the dynamic nature of the business environment. This includes the development of classifications for new products and services and, where necessary, to modify existing classifications.

Since 2005-06, all Who Buys What reports have used the UNSPSC version 8.0401; for the 2008-09 report, version 11.0501 of the UNSPSC will be implemented.

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 the 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.

Expenditure Summary

Classifications used in this report

This report has been compiled at the minimum hierarchy level of Family in accordance with version 8.0401 of the UNSPSC. Family is the second tier of classification in the UNSPSC. This year, a greater number of agencies provided information at a more detailed UNSPSC level (i.e. below the Family classification). This is the preferred approach as it provides a greater level of detail that enables more accurate analysis. 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.

Family level UNSPSC categories have been grouped to assist in summarising government expenditure. This grouping has been adopted by the APCC and is used throughout this report.

The DTF also uses a range of temporary codes, where there is either no direct UNSPSC available that describes the good or service or the account description is too generic or broad. A number of new temporary codes have been created this year, to enable a better view of expenditure and to identify potential candidates for new codes in the UNSPSC standard.

Temporary codes are now deemed to be at Family level and have been assigned to a group where possible and so appear in that specific group rather than the non-specific group X.

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.

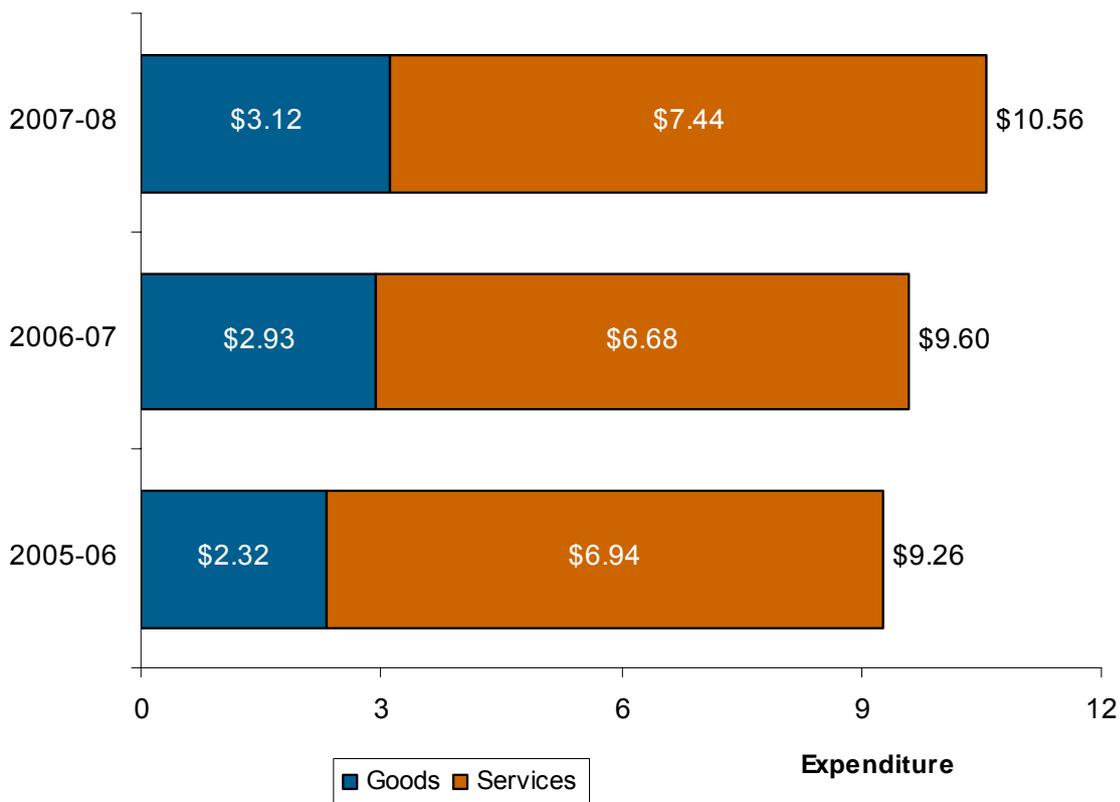
Government Trading Enterprises (GTEs)² are not included in the individual goods and services overview nor appendices as they are not obliged to provide information for this report. GTEs include the Water Corporation, Western Power etc and undertake their procurement activities independent of the State Supply Commission Act. However, their total annual expenditure on goods and services is included in the overall government spend of \$10.56 Billion.

2. GTEs in this report are defined by the Agency Classifications as published in the 2007-08 Budget Paper No. 3, Appendix 1, Agency Classification, excluding the General Government taxonomy.

Overall Expenditure

The WA Government spent \$10.56 Billion on goods and services, construction and related services in 2007-08. Figure 1 provides a comparison of goods and services expenditure for 2007-08 with the previous year.

Figure 1: Expenditure on goods and services for the total WA Government including GTEs (\$Billions)



The State Government's total spend on goods and services, construction and related services increased 10% from \$9.60 Billion in 2006-07 to an estimated \$10.56 Billion in 2007-08.

Overall expenditure on goods increased 7% from \$2.93 Billion in 2006-07 to \$3.12 Billion in 2007-08.

Overall expenditure on services increased 11% from \$6.68 Billion in 2006-07 to \$7.44 Billion in 2007-08.

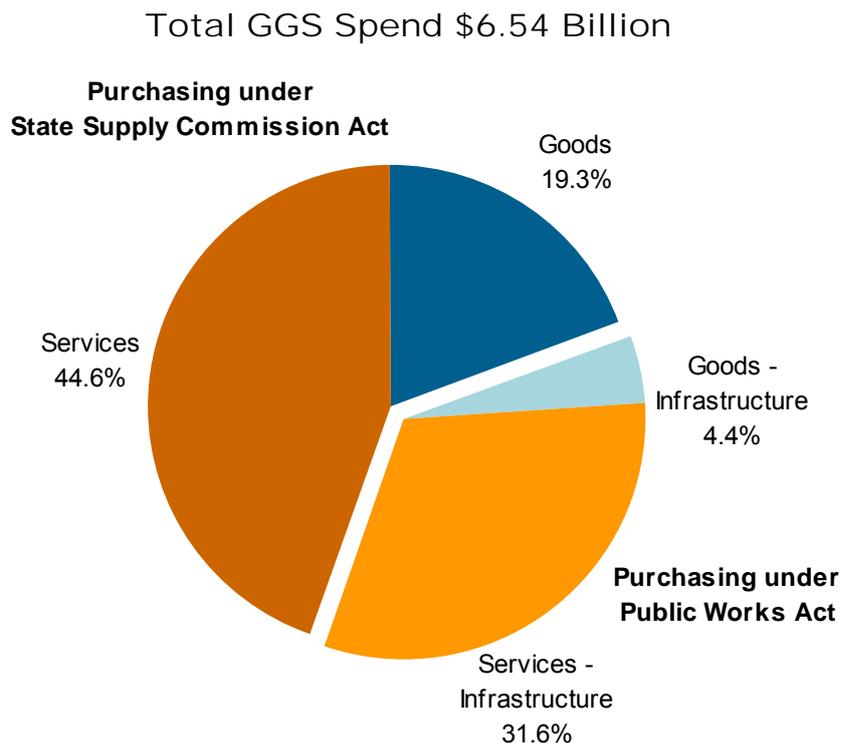
Please note: Where GTE power utilities were not able to provide their goods and service expenditure for this report, the values from the 2006-07 Who Buys What report were used, in order to provide a reasonable estimate for comparison between years.

Expenditure by the General Government Sector (GGS)

The focus of this report is on the goods and services expenditure of the agencies that are in the General Government Sector (GGS)³ - all of which are covered by the State Supply Commission Act. These include the Departments of Health, Education and Training, and Housing and Works. The GTEs are not obliged to provide information for the more detailed section of this report.

In 2007-08, services represented the majority of the total purchases. The total value of the spend on services was \$4.99 Billion (76%), compared to the \$1.56 Billion (24%) spent on goods. The total spend on infrastructure goods and services was \$2.36 Billion.

Figure 2: Breakdown of expenditure on goods and services and infrastructure in the 2007-08 financial year



The pie graph has separated out the expenditure on infrastructure⁴ which is the goods and services related to procurement of public buildings, roads railways etc.

3. The GGS Agencies in this report are defined by the Agency Classifications as published in the 2007-08 Budget Paper No. 3, Appendix 1, Agency Classification, General Government taxonomy.

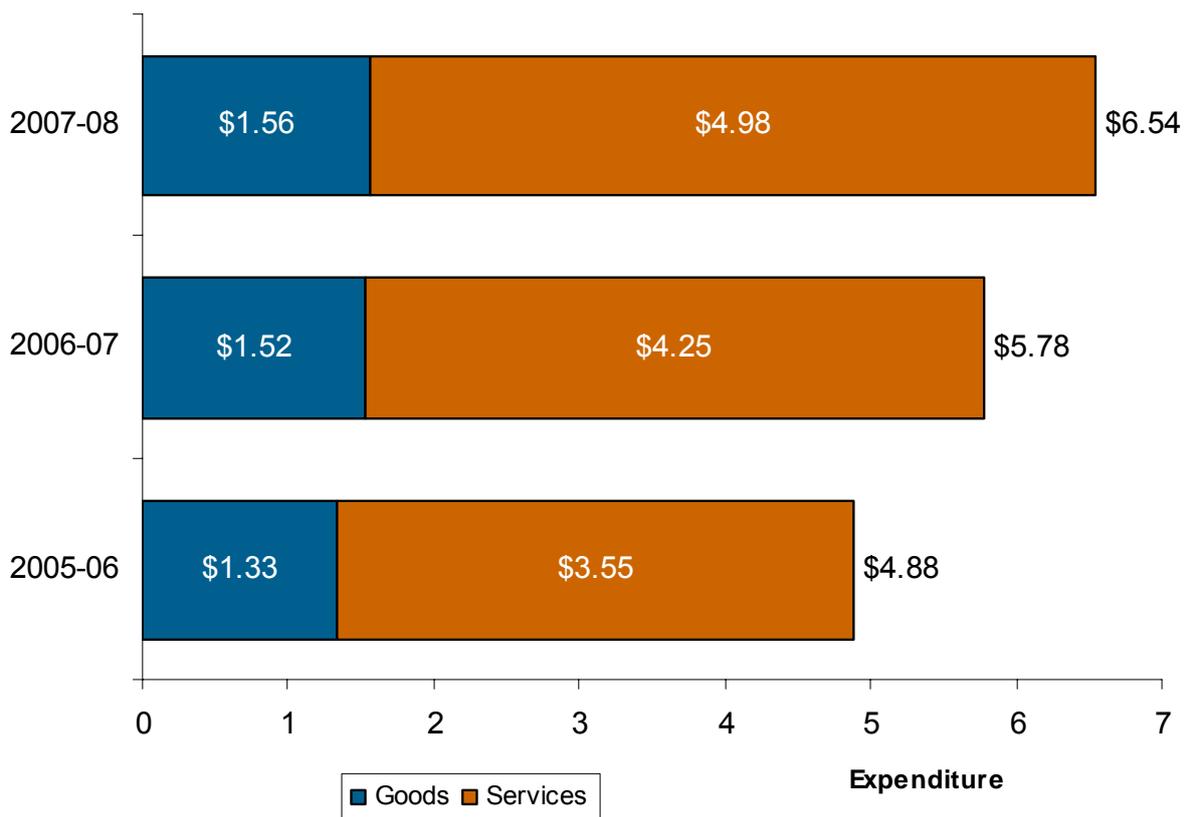
4. See Appendix 6 - Infrastructure Definition, for a detailed explanation of how infrastructure is defined for this report in relation to the UNSPSC.

Expenditure on Goods, Services and Infrastructure for the GGS

The GGS had a total spend of \$6.54 Billion or 62% of the Total Government spend of \$10.56 Billion. The GGS spend was \$765.1 Million more than in the 2006-07 WBW, which represents an increase of 13%.

This was mainly due to 42% and 19% increases in infrastructure goods and services, respectively. Spending on goods increased from \$1.52 Billion to \$1.56 Billion (an increase of 2%). Spending on services increased from \$4.25 Billion to \$4.99 Billion (up by 17%).

Figure 3: Expenditure on goods and services for the GGS (\$Billions)



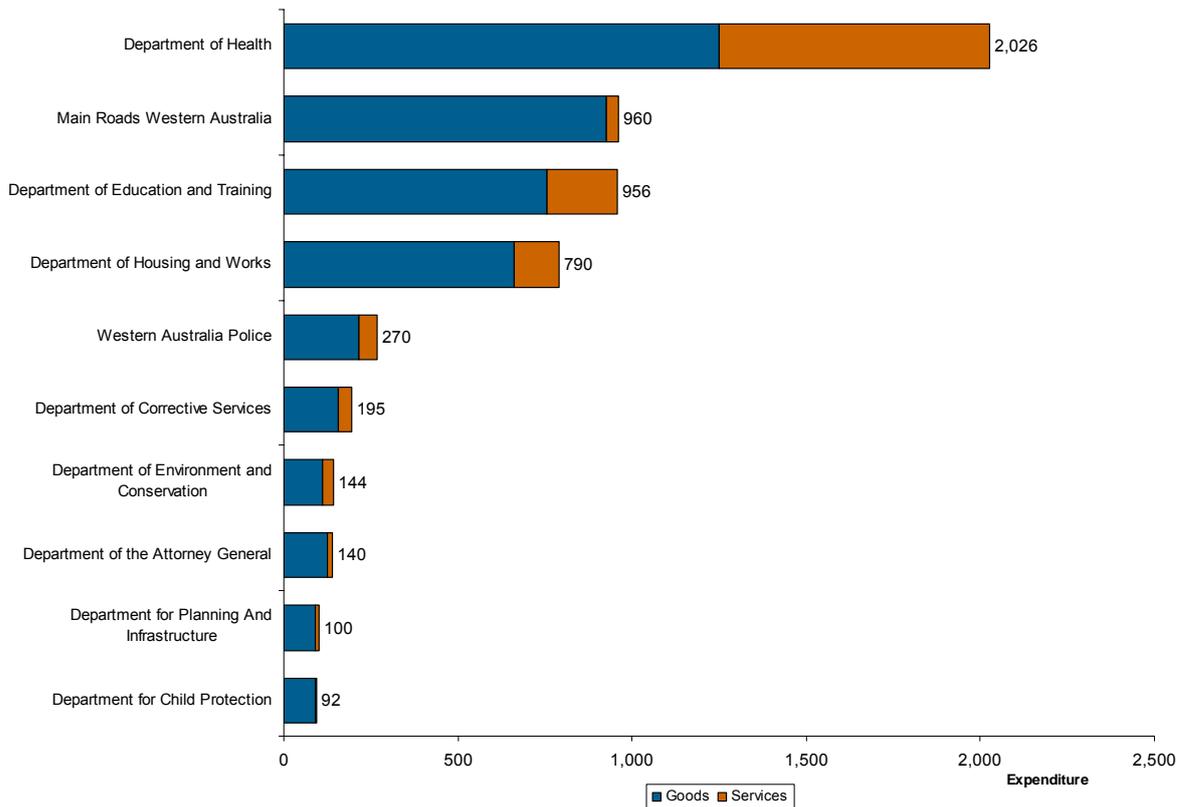
Expenditure by Agencies

The GGS agencies with the highest overall expenditure on goods and services in 2007-08 are listed in Figure 4.

Together, the top 10 agencies represented 87% of the total GGS spend in 2007-08. All of the largest spending agencies in 2006-07 were also in the top 10 in the 2005-06 Who Buys What report (the Department for Child Protection is one half of the former Department for Community Development). The Department of Health remained in the top position with a total reported spend of \$2.03 Billion.

For more detailed information on spending by UNSPSC, at the Family level, see Appendix 2.

Figure 4: Top 10 agencies purchasing goods and services in 2007-08 (\$Millions)



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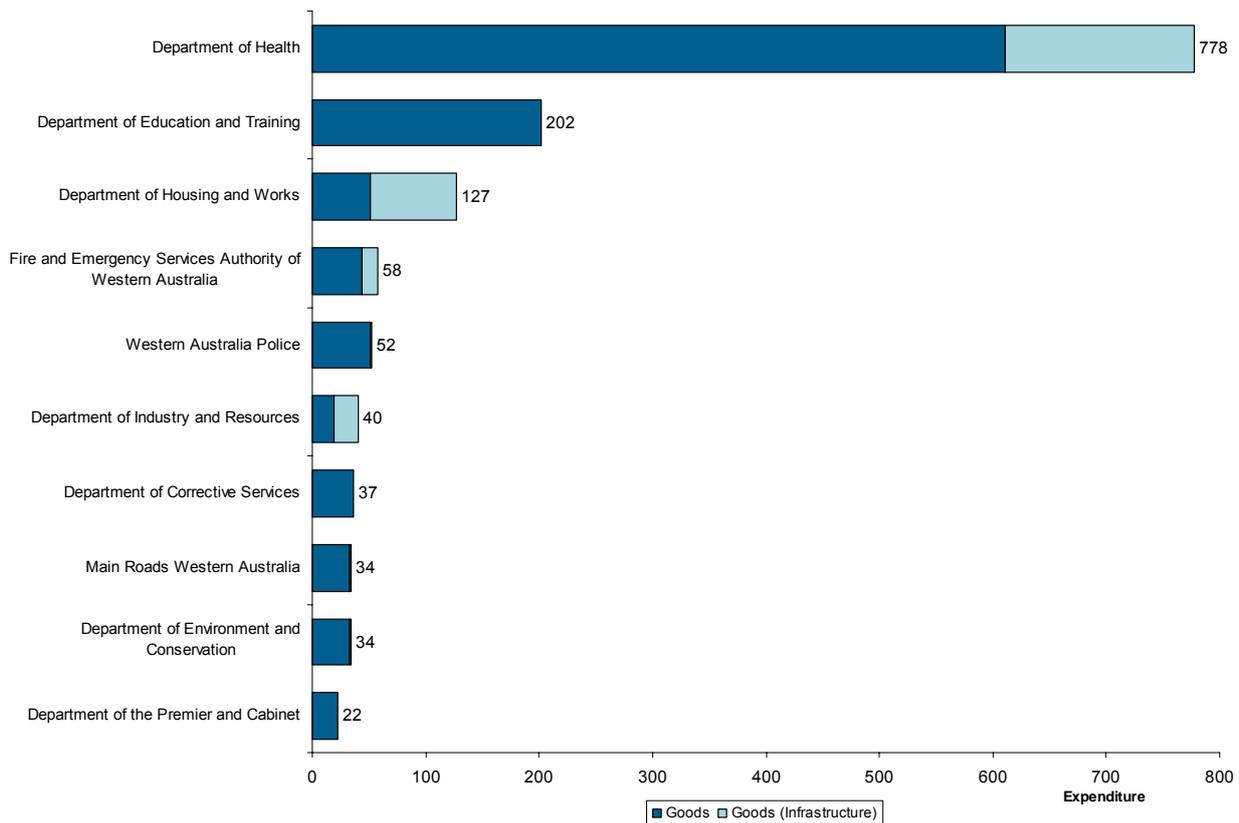
Since 2005-06, nine out of the 10 ten spending GGS agencies reported increased expenditure. The Department of Child Protection is a notable addition, being formed after the 2005-06 period. In absolute terms, the largest increase was with the Department of Health (\$466.1M), but in percentage terms, the largest increase was recorded by the Department of Corrective Services with an increase of 160% (\$119.7M) over this time period.

Agency	2005-06 (\$ Millions)	2007-08 (\$ Millions)	% Change from 2005-06
Department of Health	\$1,560	\$2,026	30%
Main Roads Western Australia	\$502	\$960	91%
Department of Education and Training	\$669	\$956	43%
Department of Housing and Works	\$643	\$790	23%
Western Australia Police	\$246	\$270	9%
Department of Corrective Services	\$75	\$195	160%
Department of Environment and Conservation	\$85	\$144	70%
Department of the Attorney General	\$188	\$140	-26%
Department for Planning And Infrastructure	\$72	\$100	38%
Department for Child Protection	\$0	\$92	N/A

Expenditure on Goods by Agency

The top 10 GGS agencies purchasing goods in 2007-08 are illustrated in Figure 5.

Figure 5: Top 10 GGS agencies purchasing goods in 2007-08 (\$Millions)



Almost 30% of the Department of Health's goods expenditure (\$230.7M) relates to drugs and pharmaceutical products. Other areas of major expenditure were medical equipment, accessories and supplies (\$211.3M or 27%) and permanent structures (\$166.9M or 21%).

The Department of Education and Training's largest spend area was developmental and professional teaching aids (\$137.7M or 65%).

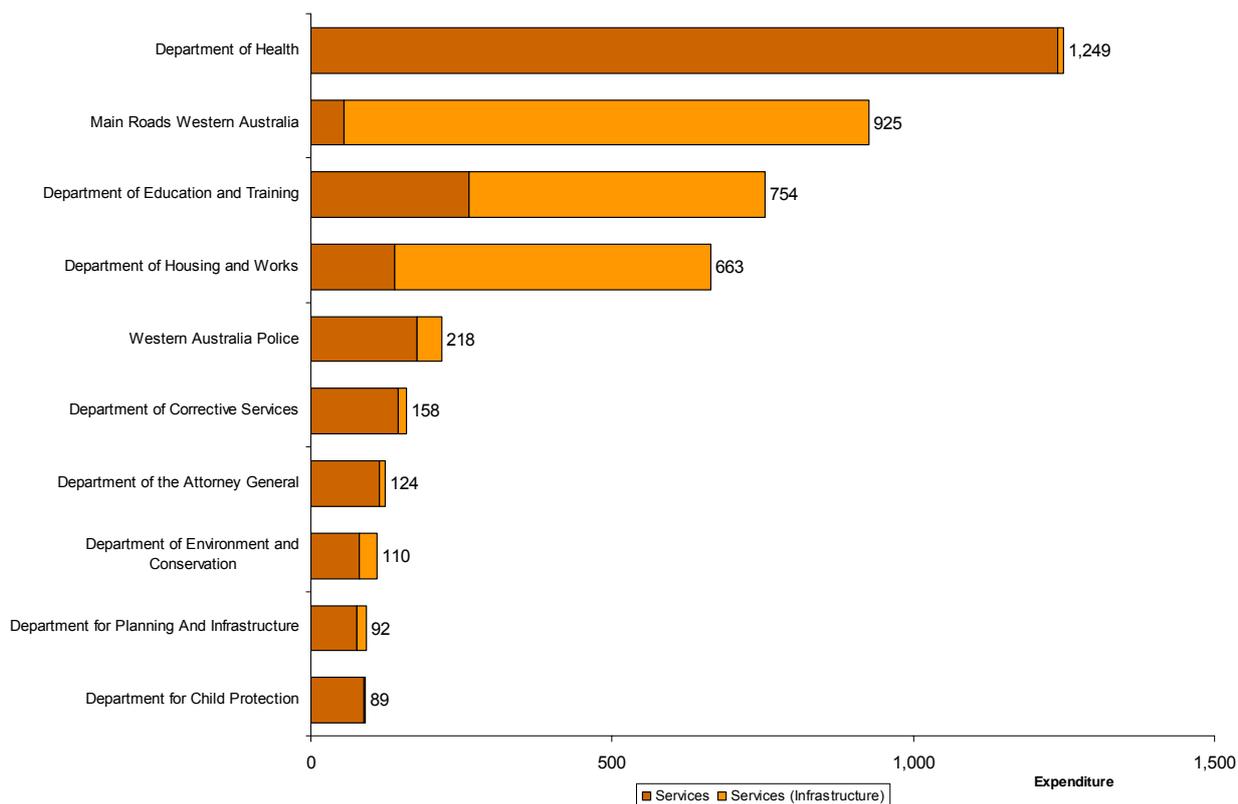
The table below details the expenditure variance from 2005-06 of the above top five agencies.

Agency	2005-06 (\$ Millions)	2007-08 (\$ Millions)	% Change from 2005-06
Department of Health	\$457	\$778	70%
Department of Education and Training	\$338	\$202	-40%
Department of Housing and Works	\$81	\$127	58%
Fire and Emergency Services Authority of Western Australia	\$17	\$58	248%
Western Australia Police	\$79	\$52	-34%

Expenditure on Services by Agency

The top 10 GGS agencies purchasing services in 2007-08 are illustrated in Figure 6.

Figure 6: Top 10 GGS agencies purchasing services in 2007-08 (\$Millions)



Over 50% of the Department of Health’s major reported service expenditure was in medical practice (\$247.3M or 20%), comprehensive health services (\$216.6M or 18%) and domestic and personal assistance (\$171.2M or 14%).

Over 90% of Main Roads Western Australia’s reported expenditure was in infrastructure construction (\$856.1M) Class under the general building construction Family category.

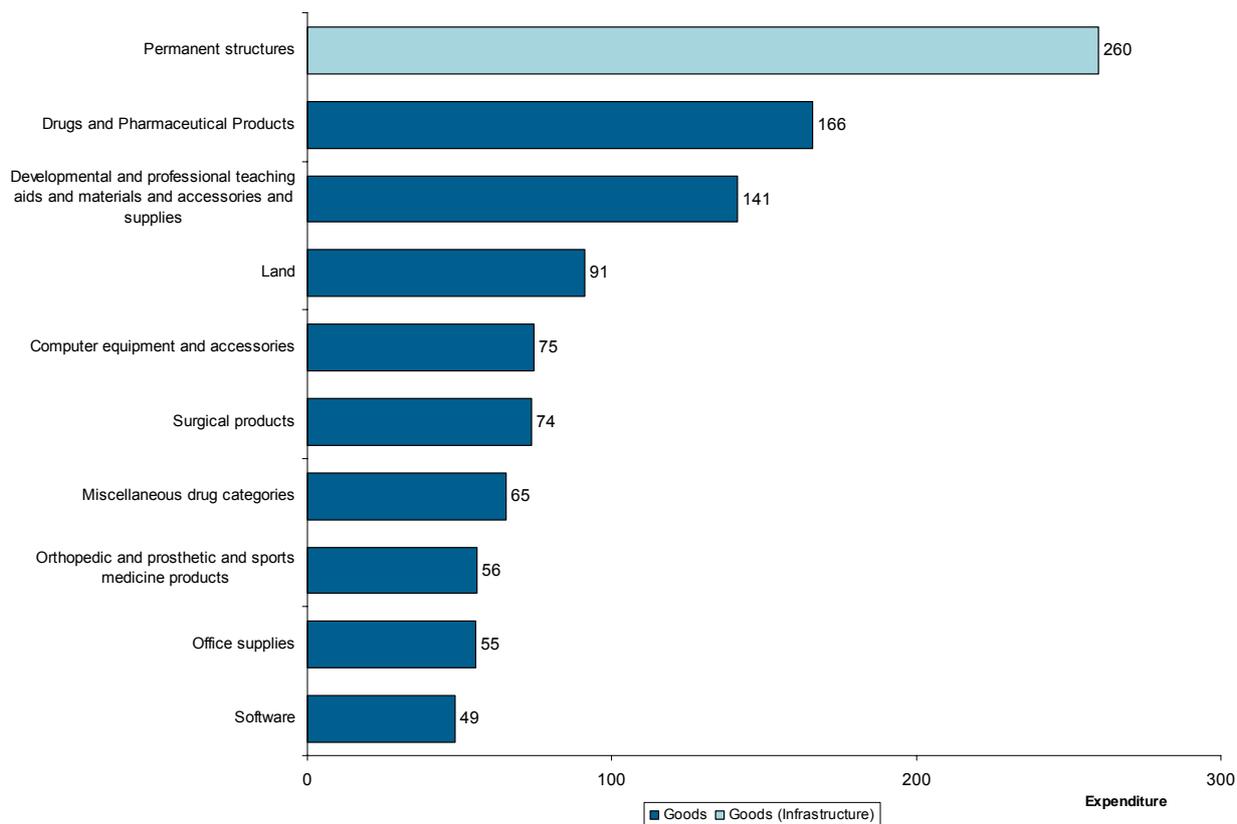
The table below details the expenditure variance from 2005-06 of the above top five agencies.

Agency	2005-06 (\$ Millions)	2007-08 (\$ Millions)	% Change from 2005-06
Department of Health	\$1,104	\$1,249	13%
Main Roads Western Australia	\$467	\$925	98%
Department of Education and Training	\$331	\$754	128%
Department of Housing and Works	\$562	\$663	18%
Western Australia Police	\$167	\$218	30%

Expenditure on Goods by Category

The top 10 categories of goods purchased by GGS agencies in 2007-08 are illustrated in Figure 7. Expenditure for these Family category codes comprised approximately 66% of all goods expenditure made by GGS agencies in 2007-08.

Figure 7: Top 10 categories of goods purchased in 2007-08 (\$Millions)



Together, the Departments of Health and Housing and Works had 93% of the total spend in the permanent structures category. Health's \$166.9 Million (64%) and Housing and Works' \$75.7 Million (29%) transport structures and accommodation structures were the two main Class categories.

The Department of Health recorded the largest spend in overall segment totals for both the drugs and pharmaceutical products and medical equipment and accessories and supplies categories. These spends were \$230.7 Million (99.6% of the total) and \$211.3 Million (99.5%) respectively.

While these categories are only required to be reported at the Segment level, \$67.2 Million and \$129.3 Million respectively were reported in 14 Family categories under those Segments, three of which also made it into the top 10 goods categories shown above.

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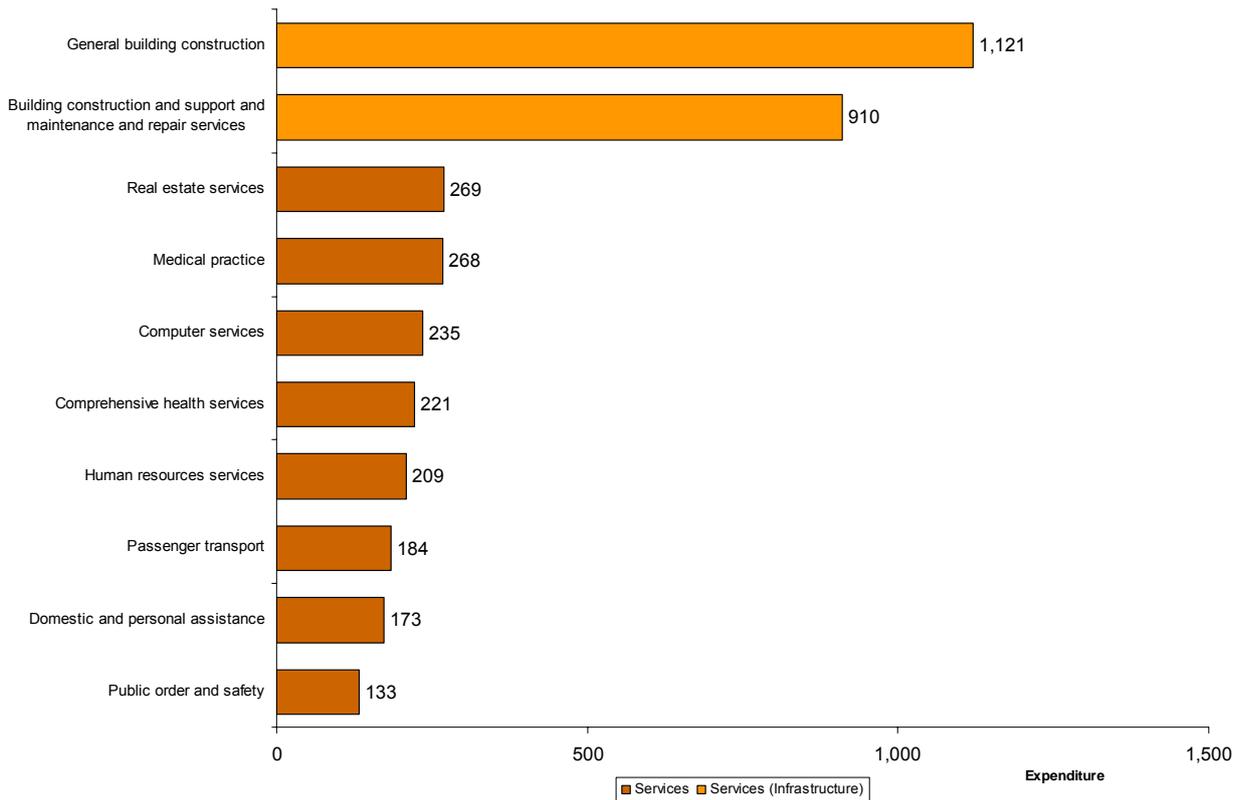
The following table identifies the spend increases in the top five goods classes that GGS agencies purchased in 2007-08. All of these categories experienced growth in expenditure between the 2005-06 and 2007-08 periods.

Family Code	UNSPSC Title	2005-06 (\$ Millions)	2007-08 (\$ Millions)	% Change from 2005-06
3022	Permanent structures	\$207	\$260	26%
5100	Drugs and Pharmaceutical Products	\$160	\$166	3%
6010	Developmental and professional teaching aids and materials and accessories and supplies	\$96	\$141	47%
0004	Land	\$85	\$91	7%
4321	Computer equipment and accessories	\$57	\$75	30%

Expenditure on Services by Category

Figure 8 identifies the top 10 services that GGS agencies purchased in 2007-08. Expenditure in these 10 Family category codes comprised 75% of all expenditure on services.

Figure 8: Top 10 categories of services purchased in 2007-08 (\$Millions)



Main Roads Western Australia (\$856.1M) and the Department of Housing and Works (\$264.0M), comprise 99.9% of the total expenditure of \$1,121 Million within the general building construction category. All of the reported expenditure by Main Roads Western Australia was on infrastructure construction, while Housing and Works spent \$207.5 Million (79%) on residential construction.

The Departments of Education and Training (\$491.2M or 54%) and Housing and Works (\$258.4M or 28%) represent over 80% of spend for the building construction, support, maintenance and repair services category.

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The growth in the top five service categories of 2007-08 are identified in the table below. Four out of the top five categories recorded increases in spend exceeding 50%, with general building construction representing the largest increase in dollar value (\$516.2M or 85%). Much of this can be attributed to the largest spending agency for this category, Main Roads Western Australia experiencing an increase in spend of 126% (or \$477.7M).

Family Code	UNSPSC Title	2005-06 (\$ Millions)	2007-08 (\$ Millions)	% Change from 2005-06
7213	General building construction	\$605	\$1,121	85%
7210	Building construction and support and maintenance and repair services	\$453	\$910	101%
8013	Real estate services	\$186	\$269	44%
8512	Medical practice	\$176	\$268	52%
8111	Computer services	\$151	\$235	56%

Expenditure Variance between Classifications

The State Supply Commission has determined that reporting at the UNSPSC Segment level is sufficient for some types of goods expenditure for the Who Buys What report.

Agencies were asked to report their expenditure for the following types of goods at Segment level only:

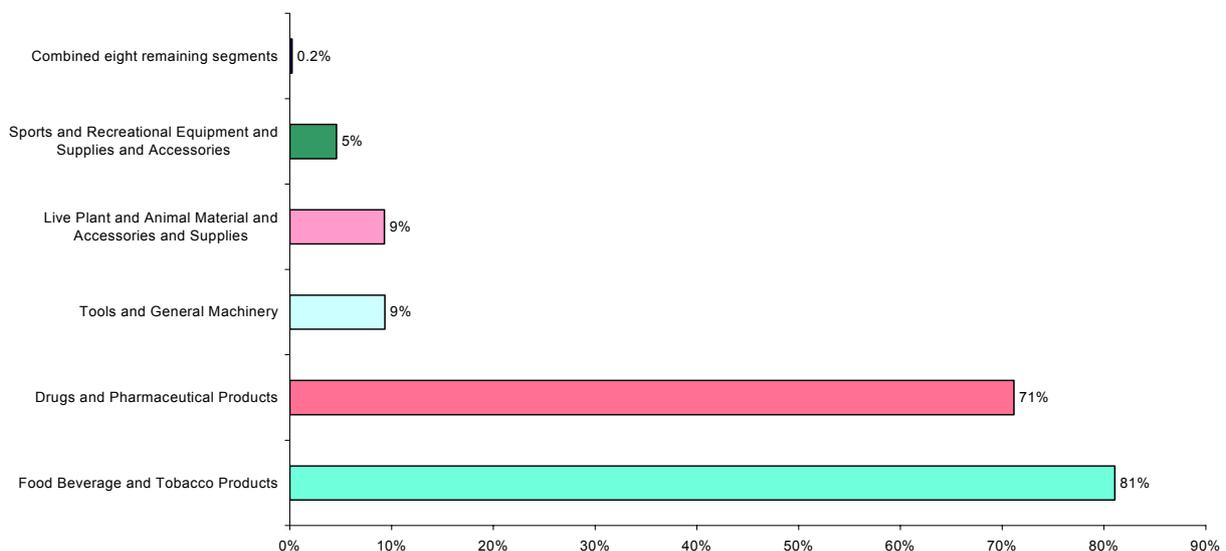
- Laboratory equipment and supplies (41000000);
- Medical equipment and supplies (42000000);
- Food and beverages (50000000); and
- Drugs and pharmaceutical supplies (51000000).

The total expenditure reported at the Segment level only was \$207.1 Million, which is not included under the detailed analysis reported in the Appendices at the Family level.

Whilst agencies were asked to report at the higher Segment level for these goods categories, a number of agencies classified their spend at lower levels of the UNSPSC and this is appreciated as it enables a greater level of detailed analysis.

Conversely some agencies classified some of their expenditure at the UNSPSC Segment level, other than the segments mentioned. Figure 9 below shows the percentage of expenditure recorded only at Segment level over the total for that Segment. Please note that the medical equipment and supplies and laboratory equipment and supplies segments had over 99% of their expenditure recorded at Family level or lower for that Segment.

Figure 9: Percentage of expenditure recorded only at Segment level over the total



The following figures illustrate the expenditure reported at the various levels in the UNSPSC hierarchy.

Figure 10: Classification of Expenditure

The total spend reported by GGS agencies was \$6.54 Billion of which \$2.1 Billion was reported at Family level, \$3.0 Billion at Class and \$1.2 Billion at Commodity level of the UNSPSC.

The GGS agencies who classified \$207.1 Million of their spend at segment level only are detailed in Figure 11.

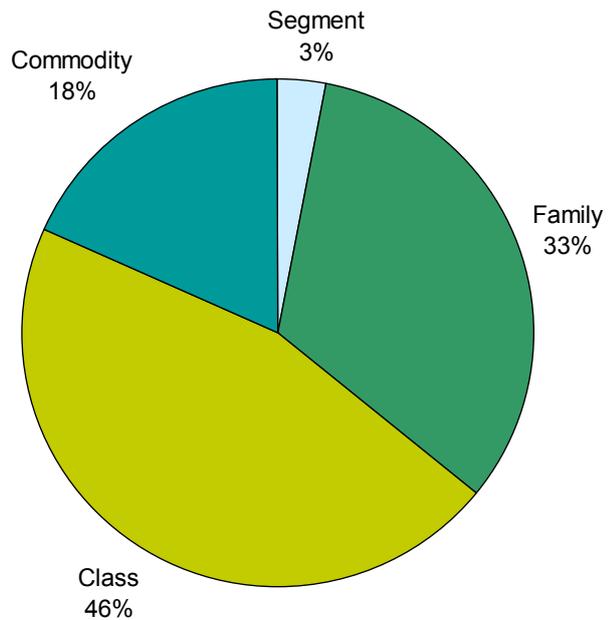
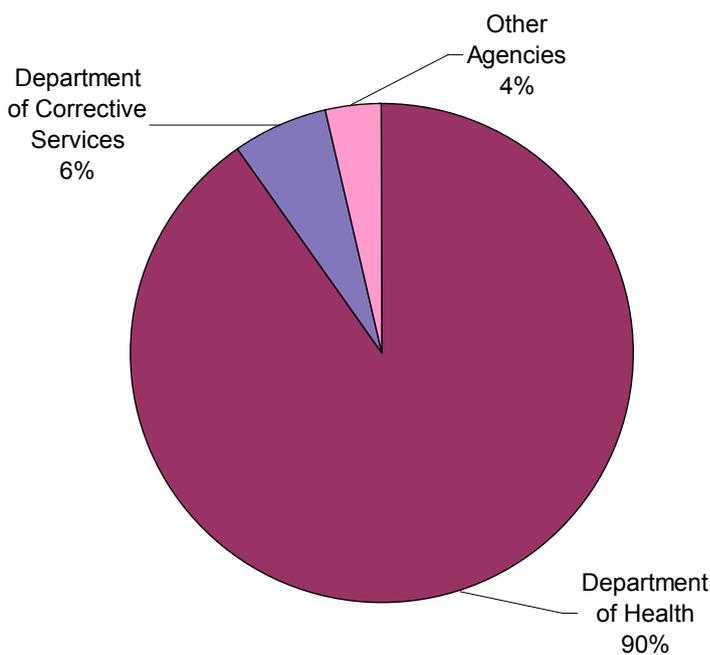


Figure 11: Agency breakdown of UNSPSC Segment level expenditure and Goods and Services



Agencies reported a total of \$207.1 Million at the Segment level. The Department of Health reported \$186.9 Million, divided between two of the Segment level categories. This represents 90% of the Segment level spend with the Drugs and Pharmaceutical Products segment the largest at 80% of the Segment-only total.

The Department of Corrective Services reported \$12.8 Million of which 97% was against Segment 5000000 for food and beverages.

Expenditure by Group

The UNSPSC has 393 codes at the Family level. 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 illustrate the total spend at more detailed Family classifications within each individual group across government. The variance is a comparison to expenditure from the 2006-07 Who Buys What report at the group level. Group X recorded a decrease in expenditure due to the temporary codes being interspersed into the appropriate group where applicable.

Group	Group Description	Expenditure \$ Millions	% Change from Previous Year	Variance
A	Agriculture, Horticulture, Plants & Animals	\$33	29%	▲
B	Building & Construction	\$2,436	29%	▲
C	Cleaning	\$60	42%	▲
D	Domestic & Personal	\$199	3%	▲
E	Educational	\$216	8%	▲
F	IT, Telecommunications, Electronic & Electrical	\$480	16%	▲
G	Environment & Waste Disposal	\$34	-3%	▼
H	Health & Medicine	\$866	24%	▲
I	Industrial Services	\$0.4	-39%	▼
J	Industrial Components	\$16	-5%	▼
K	Industrial Machinery	\$9	10%	▲
L	Law, Order & Safety	\$181	7%	▲
M	Mining	\$0.01	100%	▲
O	Office & Commercial	\$129	30%	▲
P	Professional	\$1,074	14%	▲
R	Recreational, Catering, Food & Hospitality	\$62	6%	▲
S	Storage	\$9	9%	▲
T	Travel & Transportation	\$350	7%	▲
U	Utilities	\$120	4%	▲
X	Uncategorised Goods or Services	\$59	-79%	▼
Total		\$6,333	15%	▲

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In 2007-08, GGS spending was concentrated in five of the summary groups. Together these groups represented 80% of the total spend. These were:

- Building and Construction (Group B). Agencies reported a total spend in this group of \$2.44 Billion, which represented 37% of the total. This group includes the spend on general building construction (\$1.12B) and building construction, support, maintenance and repair services (\$910.3M).
- Professional Services (Group P). Agencies reported a total spend in this group of \$1.07 Billion. This group included the spend on real estate services (\$269.1M), human resource services (\$208.7M) and management advisory services (\$126.7M).
- Health and Medicine (Group H). Agencies reported \$866.3 Million in this group, not including the spend reported at the Segment level. Significant spending was reported in this group on medical practice (\$268.3M) and comprehensive health services (\$221.2M).
- IT, Telecommunications, Electronic and Electrical (Group F). Agencies reported a total spend of \$480 Million. This group included spending on computer services (\$234.9M) and Telecommunication Media Services (\$92.6M).
- Travel and Transportation (Group T). The total spend reported by agencies in this group was \$349.7 Million. This group includes spending on passenger transport (\$183.6M) and mail and cargo transport (\$70.6M).

Figure 12: Total GGS spend of the top five groups is \$5.21 Billion

