



Government of Western Australia
Department of Finance

Who Buys What and How

An overview of 2012-13 Western Australian Government Purchasing



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Introduction

The Who Buys What and How report reviews Western Australian Government agencies' goods and services expenditure in 2012-13.

The report is split into three sections:

1. **Who Buys What** – an overview of goods and services expenditure, as classified by the United Nations Standard Products and Services Code (UNSPSC)
2. **How** – the methods agencies use to purchase goods and services
3. **Buy Local** – a summary of WA agencies' success in complying with the *Buy Local Policy*.

Who Buys What and How reflects commercial purchasing across government. A number of non-supply areas of expenditure such as salaries, wages and statutory involuntary payments are excluded.

The Who Buys What and How report includes grants and subsidies.



Policy Framework

Procurement policies regulate the way in which the Western Australian Government purchases from non-government suppliers. The majority of these policies were developed and issued by the State Supply Commission (SSC) and provides the framework for fair and equitable purchasing and contracting by agencies.

A complete list of agencies is in Appendix 1.

All relevant policies are described on the [SSC website](#) and include:

- Buy Local
- Value for Money
- Probity and Accountability
- Open and Effective Competition
- Common Use Arrangements
- Procurement Planning and Contract Management
- Sustainable Procurement
- Private Sector Procuring for Public Authorities
- Disposal of Goods

Common Use Arrangements

Common Use Arrangements (CUAs) are whole-of-government standing offers, awarded to a single supplier or panel of suppliers, to provide goods or services commonly purchased by agencies.

Each CUA typically achieves direct and/or efficiency savings through aggregation, standardisation, better market alignment and efficient purchasing processes.

Agencies are required to use established CUAs in accordance with the relevant Buyers Guide. A list of CUAs as at 1 July 2012 is in Appendix 2. More information is available at [Contracts WA](#).

Supporting systems

The Department of Finance (Finance) operates a number of systems to help agencies buy goods and services efficiently and in line with policies.

Contract Development and Management System (CDMS)

CDMS provides a step-by-step approach to the development and management of Government Procurement contracts. It ensures uniform, coordinated and correct processes, while allowing users to share data and produce detailed reports.

TendersWA

TendersWA is the central online information source for all advertised agency Requests valued at more than \$150,000. Suppliers use this site to search for opportunities to supply to Government.

The site provides information on awarded contracts with a value greater than \$20,000.

TendersWA also serves as a medium for retrieving data, such as the *Buy Local* information used in this report.

For more information, visit [TendersWA](#).

Contracts WA

The ContractsWA website provides a central access point for information on all existing CUAs and is a one-stop sourcing centre for all whole-of-government contracts. These are listed alphabetically, along with all related contract documents and contact details including Buyers Guides.

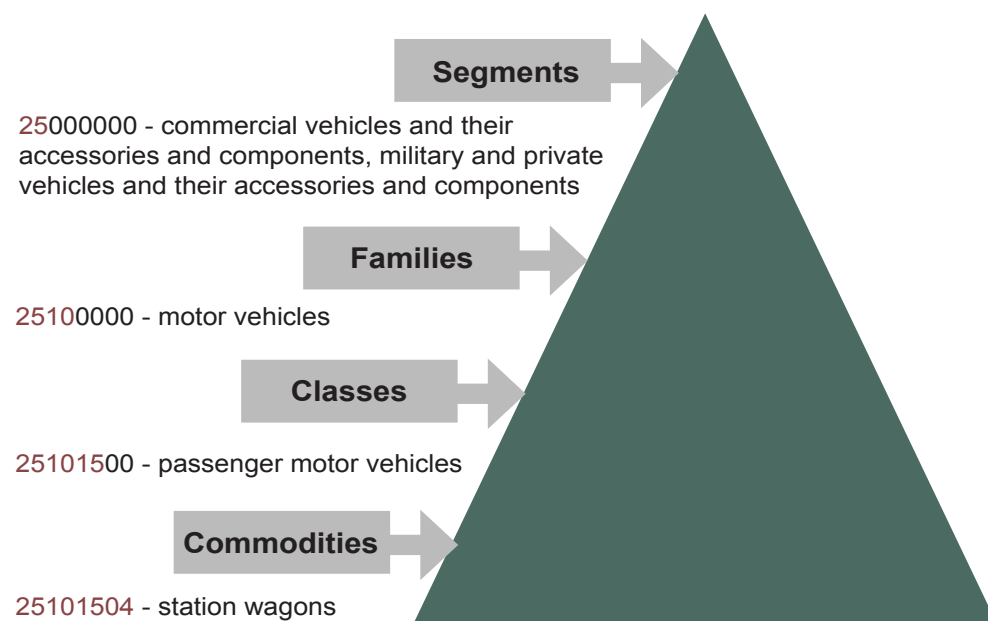
For more information, visit [ContractsWA](#).



Data collection

The UNSPSC is an internationally recognised classification system that uses eight digits to identify commodity groups and individual products and services. Similar commodities are grouped together under this system. The system contains more than 21,000 codes and covers virtually any good or service that can be bought or sold. Figure 1 provides an example of the UNSPSC classification system.

Figure 1: An example of a UNSPSC classification system.



Who Buys What and How information is derived by mapping expenditure accounts in agency's charts of accounts with the most appropriate UNSPSC classification used to record goods and services expenditure.

Finance adds a range of temporary codes where there is no direct UNSPSC classification available to describe a good or service, or an account description is too generic or broad. A number of these temporary codes were created to enable a more accurate expenditure profile and to identify future codes for the UNSPSC standards.

New UNSPSC versions are released regularly to keep pace with the dynamic nature of the business environment.

Definitions

Throughout this report, **agency** is used to describe a Western Australian Government entity that is required to purchase through CUAs under the *State Supply Commission Act 1991 (SSC Act)*.

Small business refers to a business that has a workforce of fewer than 20 employees.

Buy Local refers to suppliers who are awarded regional contracts under the *Buy Local Policy*. For more information, refer to the [State Supply Commission website](#).

Agency-specific contract refers to a contract established by an agency for a specific good or service.

Pick and buy refers to the fixed price, no quotes required, purchasing method associated with CUAs.

Customer quote refers to the quotation method of purchasing.

Who Buys What

This section focuses on the goods and services purchased by agencies during the 2012-13 financial year (exclusive of GST), and includes recurrent and capital expenditure.



Expenditure summary by group

The UNSPSC system has 396 unique codes at the family level. In Table 1, family classifications are grouped to assist in reporting on government expenditure for 2012-13. Refer to Appendices 3 and 4 for detailed information on family expenditure within groups across agencies.

Table 1: Expenditure summary by group.

Group	Group Description	Expenditure \$ Millions	% Change from Previous Year	Variance
A	Agriculture, Horticulture, Plants & Animals	\$25.7	-14%	▼
B	Building & Construction	\$4,970.4	22%	▲
C	Cleaning	\$99.8	2%	▲
D	Domestic & Personal	\$297.7	4%	▲
E	Educational	\$253.6	-9%	▼
F	IT, Telecommunications, Electronic & Electrical	\$786.8	1%	▲
G	Environment & Waste Disposal	\$99.2	5%	▲
H	Health & Medicine	\$1,285.0	-23%	▼
I	Industrial Services	\$2.6	-77%	▼
J	Industrial Components	\$30.7	9%	▲
K	Industrial Machinery	\$10.1	28%	▲
L	Law, Order & Safety	\$370.1	9%	▲
M	Mining	\$5,673.7	-14%	▼
O	Office & Commercial	\$141.9	8%	▲
P	Professional	\$3,910.4	20%	▲
R	Recreational, Catering, Food & Hospitality	\$68.3	-17%	▼
S	Storage	\$12.2	11%	▲
T	Travel & Transportation	\$1,082.2	11%	▲
U	Utilities	\$258.6	12%	▲
X	Uncategorised Goods or Services	\$128.0	18%	▲
Z	Nuclear, Atomic and Military Classifications	\$0.0	N/A	▲

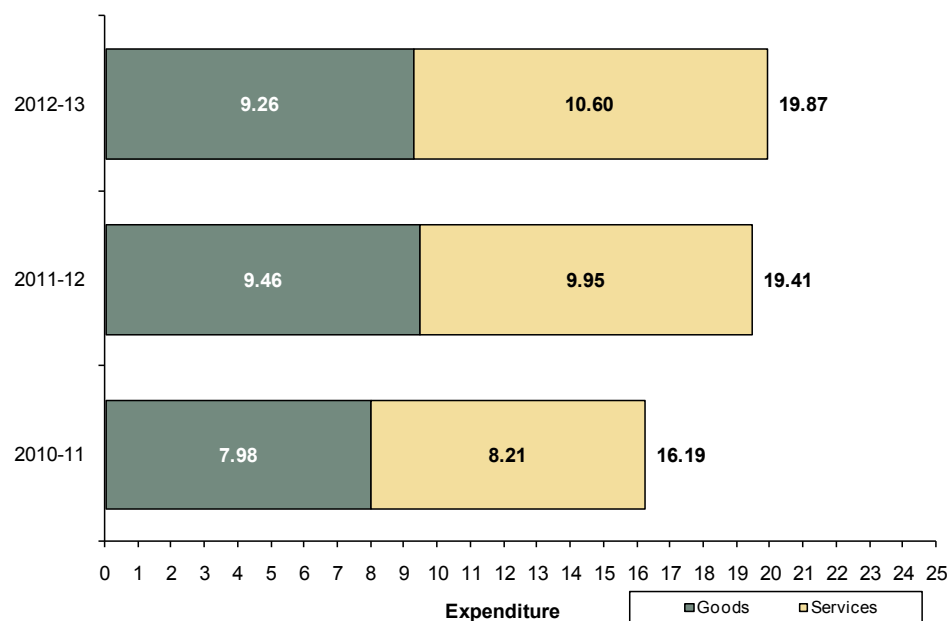
Whole-of-government expenditure

Total goods and services expenditure by agencies bound by the *SSC Act* and the *Public Works Act 1902 (PW Act)* was \$19.87 billion in 2012-13, accounting for 76 per cent of total government expenditure (\$25.98 billion). The remaining 24 per cent (\$6.11 billion) was from Government Trading Enterprises (GTEs), including Port Authorities and electricity and water providers.

The provision of public works, as defined by the *PW Act*, includes a wide range of buildings and physical infrastructure such as public buildings, parks, roads and railways.

Figure 2 highlights the \$458 million (2.4 per cent) increase in overall agency spend of the year.

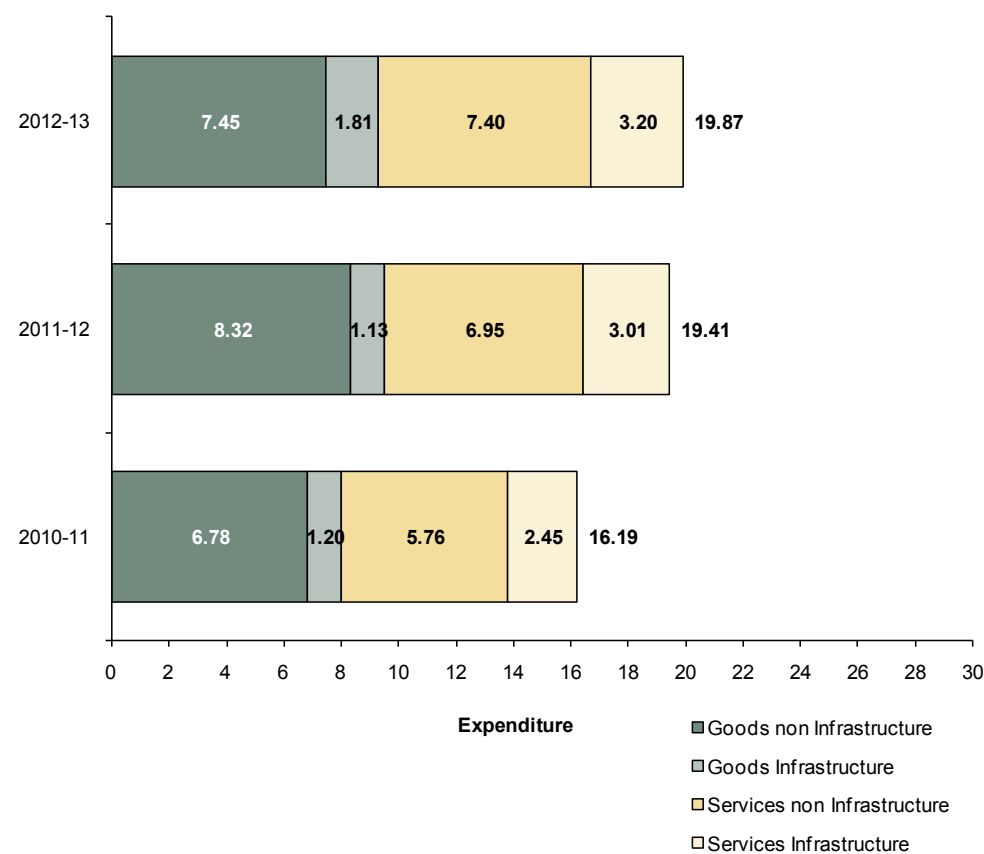
Figure 2: Comparison of goods and services expenditure (including infrastructure) (\$ billions).



The Western Australian Sports Centre Trust spent an additional \$790 million due to the establishment of Perth Arena and the commencement of the Perth Stadium project. Gold Corporation reduced its spending by 14 per cent (\$946 million) on the previous year due to a reduction in the amount of gold and silver being produced.

A breakdown of agencies' goods and services expenditure under both the *SSC Act* and the *PW Act* is shown in Figure 3.

Figure 3: Breakdown of total expenditure on goods, services and infrastructure (\$ billions).



The Goods Infrastructure category had the greatest increase of \$680 million (60 per cent) of the \$1.81 billion spent. Within this category, the Western Australian Sports Centre Trust accounted for \$510 million (75 per cent) of the total increase.

The Services Infrastructure category also had a significant increase. Within this category, the Public Administration and Finance Services family increased due to the Department of Training and Workforce Development (Training and Workforce Development) included its \$451 million spend on grants and subsidies, which had previously been excluded.

Goods Non-infrastructure accounted for 38 per cent (\$7.45 billion) of the total goods and services expenditure, an \$870 million decrease from 2011-12. This was the only category to report a decrease, due to Gold Corporation's reduction in spend.

Agency analysis

The top 10 agencies accounted for 96 per cent (\$8.91 billion) of total goods spend and 80 per cent (\$10.6 billion) of total services spend across the public sector.

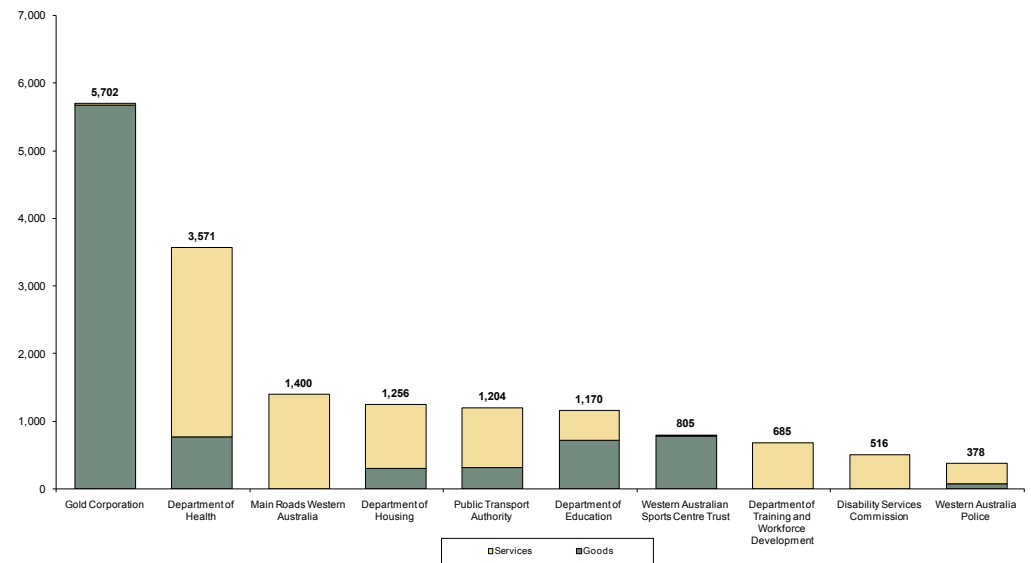
The Western Australian Sports Centre Trust had the highest proportional increase of \$790 million (5,211 per cent) due to completion of Perth Arena and the commencement of Perth Stadium.

Gold Corporation spent 61 per cent (\$5.67 billion) of the goods total, consisting primarily of gold (\$4.41 billion) and silver (\$1.16 billion) purchases.

Health was responsible for 26 per cent (\$2.79 billion) of services and eight per cent (\$778 million) of goods expenditure.

Training and Workforce Development spent 99 per cent (\$685 million) of its expenditure on services. This is the first year this agency has included all of its controlled grants and subsidies data for this report, which explains the significant increase in expenditure from the previous year. The Department granted \$451 million to the Western Australian Academy of Performing Arts.

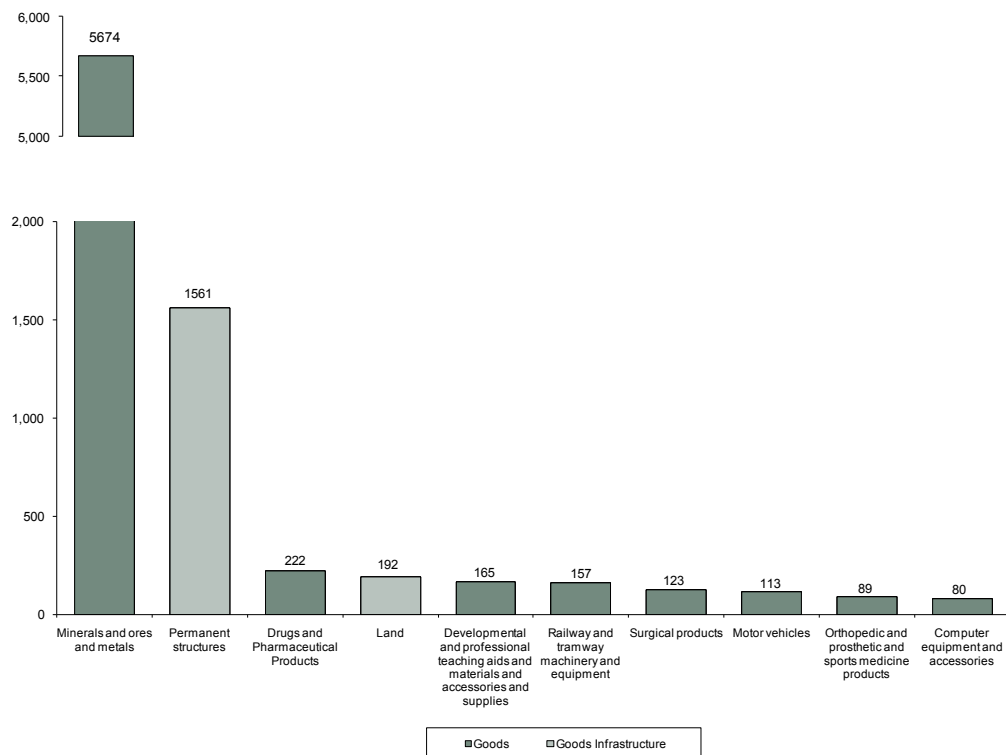
Figure 4: Illustrates the top 10 agencies, showing a breakdown of their goods and services expenditure (\$ billions).



Goods by family

Figure 5 shows the top 10 families of both Infrastructure and Non-infrastructure goods in 2012-13. These families accounted for 90 per cent (\$9.26 billion) of total goods spend by agencies.

Figure 5: Top 10 families of goods purchased (\$ millions).



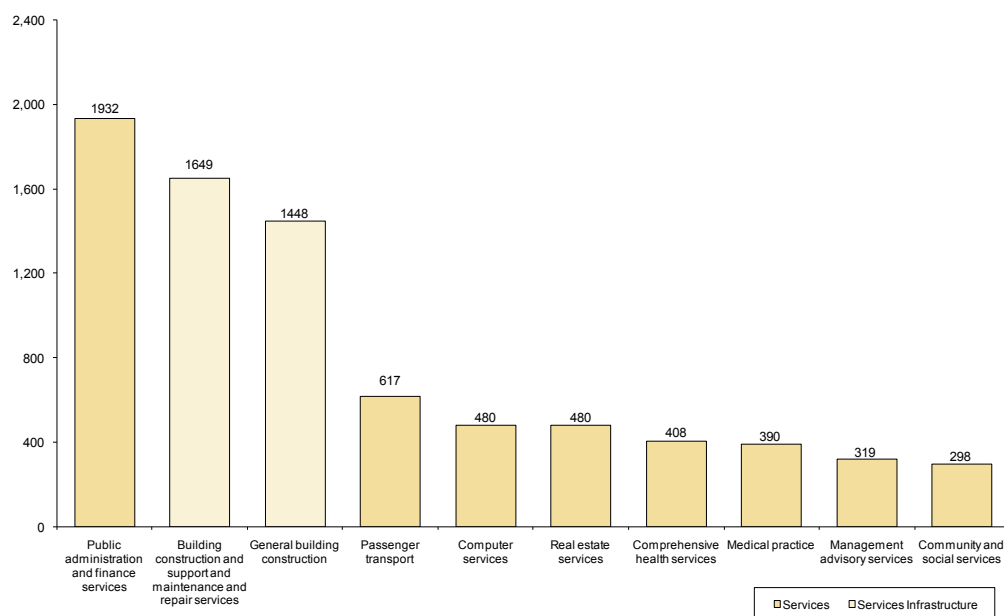
Two families accounted for 78 per cent of the total goods spend; Minerals and Ores and Metal family, and the Permanent Structures family. The largest agencies within these were:

- The Gold Corporation accounted for 100 per cent of the spending in the Minerals and Ores and Metals family with \$5.67 billion in mineral purchases (gold, silver and, to a lesser extent, platinum) accounting for more than 99 per cent of the agency's total spend.
- The Western Australian Sports Centre Trust accounted for 87 per cent (\$510 million) of the total increase in the Permanent Structures family (\$588 million).
- The Public Transport Authority accounted for 100% of the spend (\$157 million) in the Railway and Tramway Machinery and Equipment family, a 125 per cent increase on the previous period.

Services by family

Figure 6 shows the top 10 families of both Infrastructure and Non-infrastructure services in 2012-13.

Figure 6: Top 10 families of services purchased (\$ millions).



These families accounted for \$8.02 billion (76 per cent) of the total services spend (\$10.6 billion) across the public sector. Eight out of the top 10 families had an increase in spend.

The top three families comprise more than half (54 per cent or \$5.02 billion) of the total services spend.

Public Administration and Finance Services recorded the highest amount of spend this financial year with an additional \$546 million spent through this family. This was mainly due to the inclusion of the Training and Workforce Development grants and subsidies.

The two Building families; General Building and Construction, and Building Construction and Support and Maintenance and Repair Services make up 96 per cent of Infrastructure services spend. Agencies do not apply their spend in these two families consistently, therefore it is more useful to look at their combined spend across both families. When looking at them together, the top three agencies; Main Roads Western Australia (33 per cent), Health (27 per cent), and Housing (22 per cent) make up 82 per cent of the spend.

Health spent 92 per cent (\$361 million) of the Medical Practice family (\$390 million), which is a reduction of 56 per cent from the previous year.

The Management Advisory Services family moved into the top 10 with \$319 million. This is an increase of 46 per cent (\$100 million) from the previous year with the Public Transport Authority accounting for \$72 million of this increased spend.

...and How

Agencies can purchase goods and services through CUAs, agency-specific contracts and direct purchasing for small items by purchase orders and Purchasing cards. This section looks at the buying behaviour within key CUAs.

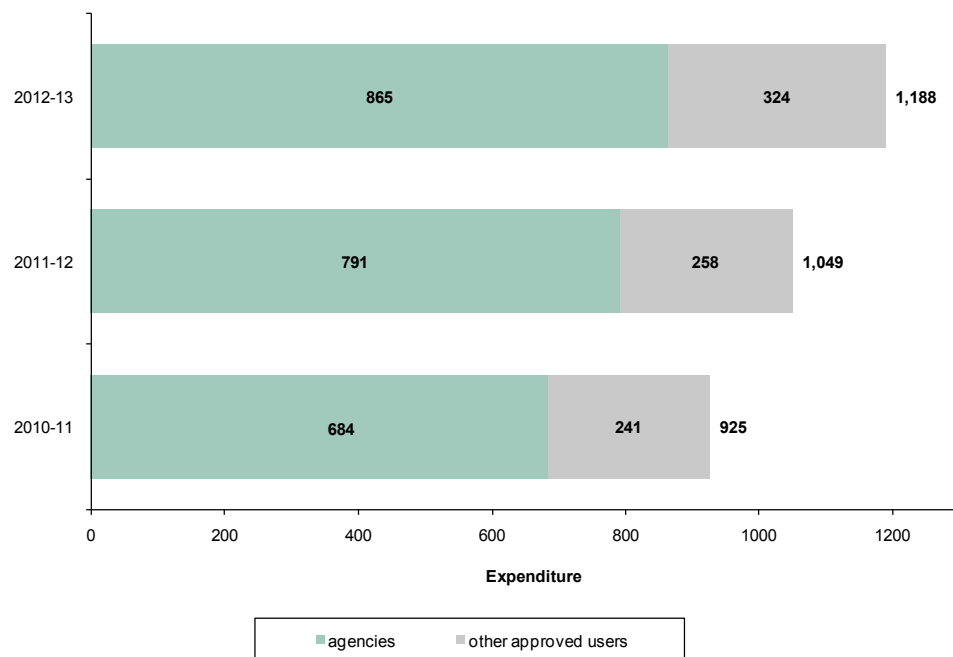


CUA spend

Improved data collection and cleaning as well as better quality supplier sales data have led to a more accurate Who Buys What and How report. For previous reporting periods, this data has been backdated where applicable to make this report correct. As a result, CUA spend figures in this report may differ from those published in previous reports.

Total CUA expenditure rose by 13 per cent to \$1.188 billion in the 2012-13 financial year. Agencies accounted for 68 per cent (\$813 million), with the remaining spend by approved users such as Public Benevolent Institutions, GTEs and Local Governments, equating to \$375 million.

Figure 7: Breakdown of CUA expenditure (\$ millions).



In calculating the total CUA expenditure, the Purchasing Card (\$461 million) and Remuneration Packaging Services (\$530 million) CUAs are excluded.

This is due to:

- Purchases through the Purchasing Card are counted by the good or service under which the item falls. If this expenditure was reported on through the Purchasing Card CUA also, this would cause duplication; and
- Remuneration Packaging Services has no direct expense to Government as it is an employee benefit program.

CUAs with the most spend

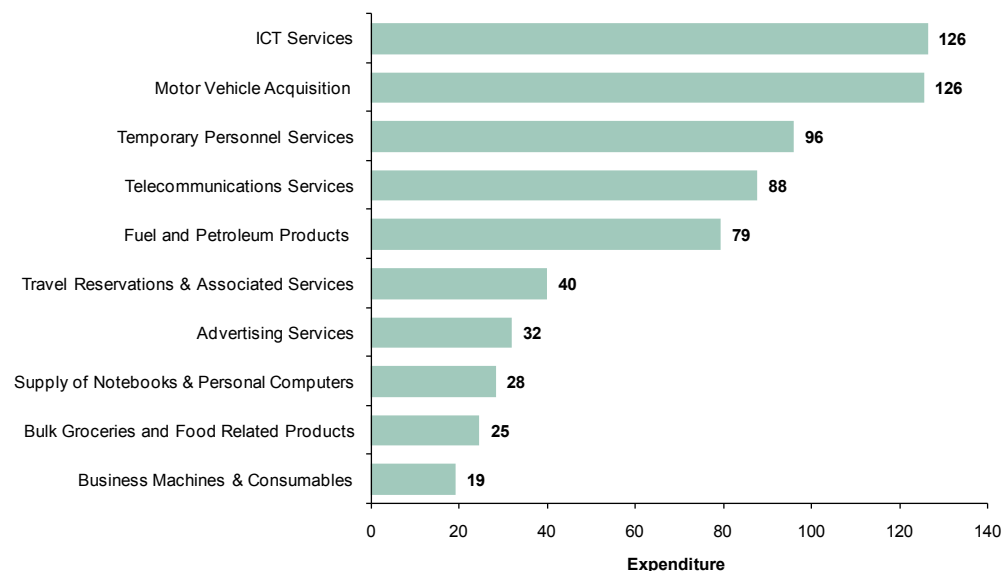
The 10 CUAs with the most expenditure in 2012-13 is illustrated in Figure 8 and reflects agency spend only. They comprised 76 per cent (\$659 million) of total CUA spend, an increase of \$59 million (one per cent) from 2011-12.

Five of the top 10 CUAs accounted for more than 67 per cent of all agencies' CUA expenditure:

- The ICT Services CUA had the greatest spend at \$126.3 million (16 per cent). The \$5 million increase for ICT Services was mostly due to better reporting, as suppliers continue to understand their reporting requirements.
- The Motor Vehicle - Acquisition of Passenger and Light Commercial Vehicles CUA spend was \$125.6 million (15 per cent) a decrease of \$9.4 million (seven per cent) on the previous year.
- Temporary Personnel Services CUA spend was \$96 million (12 per cent) an increase of \$13.8 million (17 per cent).
- The Telecommunications Services CUA spend decreased \$6.5 million (seven per cent) to \$87.7 million (11 per cent).
- The Fuel CUA expenditure has for the first time been fully reported in this report. Previous reports only captured a portion of the expenditure.

The Microsoft Licences CUA fell out of the top 10 due to most agencies utilising the CUA in its initial year and therefore remaining in contract throughout 2012-13. Due to the Microsoft Licences CUA expenditure decrease, the Business Machines and Consumables CUA moved into the top 10, up from 11 in 2011-12.

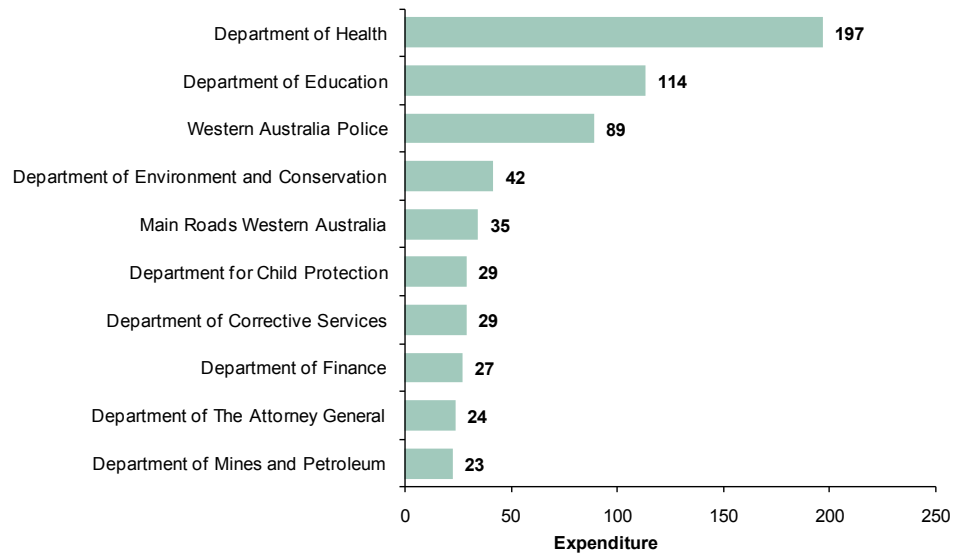
Figure 8: Top 10 CUAs by expenditure (\$ millions).



Agencies with the highest CUA spend

The top 10 agencies for CUA expenditure accounted for \$609.6 million (75 per cent) up from \$521 million (65 per cent) the previous year. As highlighted in Figure 9, the three highest spending agencies (Departments of Health and Education and Western Australia Police) accounted for \$400 million (49 per cent), an increase of six per cent.

Figure 9: Top 10 agencies purchasing from CUAs (\$ millions).



Agency-specific contracts

This section covers agency-specific contracts, and excludes data relating to CUAs.

The data has been gathered for analysis from the TendersWA system. As per government policy, all agency requests valued over \$150,000 and awarded contracts with a value over \$20,000 are published through this system.

In 2012-13, TendersWA recorded 4,760 agency-specific contracts, and 5,620 contracted suppliers, with a total value of \$7.58 billion. This represents a decrease of \$1.48 billion (16 per cent) from 2011-12. It includes tenders for goods, services, and infrastructure, covering one-off supplies and period contracts.

A total of 2,553 individual suppliers were contracted, many winning multiple contracts across agencies. When considering individual suppliers, 2,400 (94 per cent) were based in WA and 1,235 (48 per cent) were categorised as small business.

The average life of a contract remains at 1.98 years.

Table 3 shows the total contract value of the top 20 agencies through TendersWA. The top 20 accounted for 97 per cent of total awarded contract value.

Table 3: Major users of Tenders WA.

Agency	Value of Contracts	% of All Agencies Total	Rank by Value	Number of Contracts	% of all Agencies Contracts	Rank by Number	Average Contract Value	Rank by Average
Public Transport Authority	\$1,679,109,523	7%	1	277	2%	6	\$6,061,767	4
Department of Finance	\$1,531,497,007	7%	2	1,050	7%	3	\$1,458,569	11
Main Roads Western Australia	\$1,103,339,791	5%	3	147	1%	9	\$7,505,713	2
Department of Health	\$928,007,640	4%	4	589	4%	5	\$1,575,565	10
Department of Housing	\$378,807,521	2%	5	613	4%	4	\$617,957	25
Mental Health Commission	\$333,778,808	1%	6	59	<1%	16	\$5,657,268	5
Metropolitan Redevelopment Authority	\$243,161,795	1%	7	38	<1%	23	\$6,398,995	3
Forest Products Commission	\$224,885,852	<1%	8	23	<1%	34	\$9,777,646	1
Disability Services Commission	\$179,794,093	<1%	9	43	<1%	21	\$4,181,258	6
Department of Education	\$151,769,895	<1%	10	195	1%	7	\$778,307	17
Department of Transport	\$104,817,647	<1%	11	134	<1%	10	\$782,221	16
Department for Child Protection	\$89,364,409	<1%	12	66	<1%	14	\$1,354,006	12
Department for Communities	\$83,632,868	<1%	13	183	1%	8	\$457,010	30
Department of the Attorney General	\$67,391,431	<1%	14	28	<1%	31	\$2,406,837	8
Drug and Alcohol Office	\$48,636,730	<1%	15	12	<1%	47	\$4,053,061	7
Department of Fisheries	\$41,239,759	<1%	16	56	<1%	18	\$736,424	19
Department of Environment and Conservation	\$38,015,890	<1%	17	124	<1%	11	\$306,580	42
Department of Training and Workforce Development	\$36,953,513	<1%	18	44	<1%	20	\$839,853	15
Western Australia Police	\$32,042,925	<1%	19	51	<1%	19	\$628,293	24
Department of Fire and Emergency Services	\$28,048,839	<1%	20	58	<1%	17	\$483,601	29
Top 20	\$7,324,295,935	97%		3,790	80%		\$1,932,532	
Overall Total	\$7,581,112,093			4,760			\$1,592,671	

Buy Local

The Government's *Buy Local Policy* requires that agencies achieve 80 per cent of their spending in regional areas, excluding contracts undertaken in the Perth Metropolitan region.

The data for the *Buy Local* reporting undertaken as part of this report is gathered and confirmed from the TendersWA website. Agencies are required to include *Buy Local* information identifying local and regional suppliers with their awarded contracts. A supplier is considered local if its location (based on postcode) is in the same region as the awarded contract.

If an agency has not included all *Buy Local* information, it has been excluded from this report's analysis to improve accuracy. This was the case with 673 (12 per cent) of the 5,620 contracts.

For 2012-13, 4,970 suppliers were awarded contracts across Western Australia and 4,754 (96 per cent) were WA based suppliers.

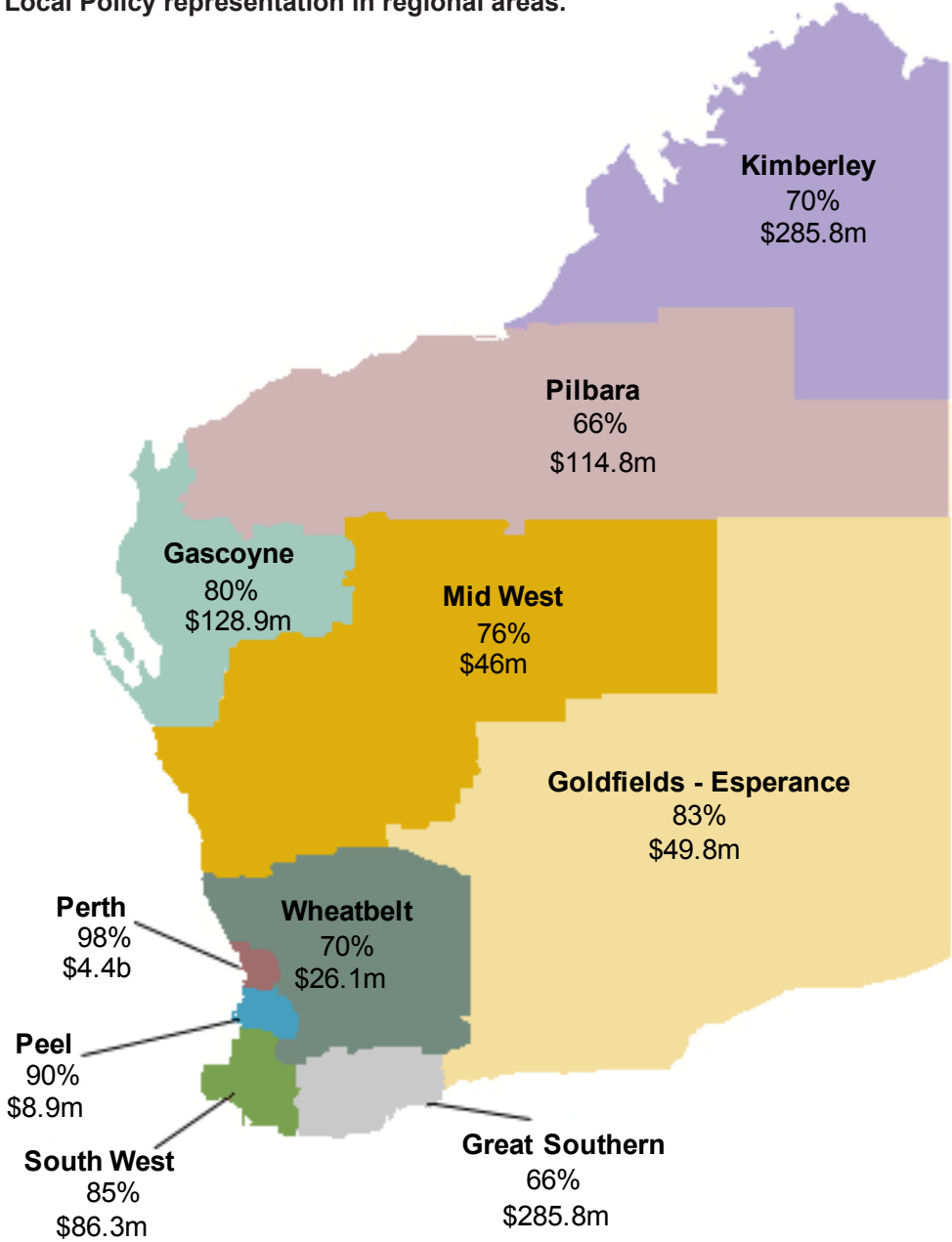
When reviewing *Buy Local* performance 1,509 (82 per cent) of the 1,848 contracted suppliers in regional areas met *Buy Local* requirements.

An additional 44 suppliers in other WA regional areas were engaged in regional contracts, bringing the total of WA regional suppliers to more than 84 per cent. In some cases, engagement of suppliers in neighbouring regions may be closer than suppliers in their own regions, such as Goldfields/Esperance. Of the remaining suppliers, 223 were engaged from the Perth Metropolitan region, meaning only four per cent of suppliers were engaged outside of WA.

Figure 23 shows the percentage of suppliers who were considered local and the total value of contracts in the specific regions. While only small in total value of contracts awarded (\$8.9 million) the Peel region accounted for the highest proportion of local contracted suppliers with 90 per cent, up from 74 per cent the previous financial year.



Figure 23: Buy Local Policy representation in regional areas.



Small business

In 2012-13, 32 per cent (1,822) of the contracted suppliers for both CUA and agency-specific contracts (5,744) were classified as small business. Table 4 shows small business involvement in CUAs and agency-specific contracts.

Table 4: Small business representation in agency-specific contracts and CUAs.

Group Code	Group Description	Agency Specific Contracts					Common Use Arrangements				Combined Figure		
		Number of Contracts	Number of Different Suppliers	Number of WA Suppliers	% WA Suppliers	% Small Business	Number of CUAs	Number of Different Suppliers	% WA Suppliers	% Small Business	Number of Suppliers	% Small Business	% WA Suppliers
A	Agriculture, Horticulture, Plants & Animals	61	87	82	94%	69%					87	69%	94%
B	Building & Construction	1193	1308	1293	99%	16%	1	6	83%	0%	1314	16%	99%
C	Cleaning	74	74	72	97%	32%	1	13	85%	38%	87	33%	95%
D	Domestic & Personal	31	33	31	94%	42%	2	7	71%	14%	40	38%	90%
E	Educational	54	102	93	91%	55%	1	35	97%	66%	137	58%	93%
F	IT, Telecommunications, Electronic & Electrical	370	400	374	94%	21%	12	364	78%	24%	764	22%	86%
G	Environment & Waste Disposal	91	101	98	97%	36%					101	36%	97%
H	Health & Medicine	148	184	129	70%	44%					184	44%	70%
I	Industrial Services	10	10	10	100%	40%	1	3	67%	0%	13	31%	92%
J	Industrial Components	19	19	15	79%	21%					19	21%	79%
K	Industrial Machinery	70	71	62	87%	32%					71	32%	87%
L	Law, Order & Safety	53	61	61	100%	31%					61	31%	100%
M	Mining	37	38	37	97%	61%					38	61%	97%
O	Office & Commercial	33	36	33	92%	33%	5	45	87%	18%	81	25%	89%
P	Professional	675	965	942	98%	37%	11	226	74%	22%	1191	34%	93%
R	Recreational, Catering, Food & Hospitality	44	54	54	100%	43%	1	18	83%	6%	72	33%	96%
S	Storage	7	7	7	100%	14%	2	6	100%	33%	13	23%	100%
Seg	Segment Only	1155	1264	1214	96%	43%					1264	43%	96%
T	Travel & Transportation	125	147	140	95%	50%	11	51	53%	2%	198	37%	84%
U	Utilities	7	7	7	100%	0%					7	0%	100%
Z	Nuclear, Atomic and Military Classifications	2	2	0	0%	50%					2	50%	0%
Total		4259	4970	4754	96%	33%	48	774	77%	23%	5744	32%	93%

Two groups score significantly higher than the overall average for engaging small businesses in regards to CUA suppliers; Educational (66 per cent) and Cleaning (38 per cent) as shown in Table 4.

For agency-specific contracts, the group with the largest number of small business suppliers (69 per cent) was Agriculture, Horticulture, Plants and Animals.

Of the 1,848 contracted suppliers in regional areas, 857 (46 per cent) were classified as small business. When looking at distinct suppliers 1,262 (95 per cent) of 1,330 were based in WA regions and 659 of these were categorised as small business.

Of agencies that engaged more than 50 suppliers, the Department of Agriculture and Food Western Australia had the highest percentage (64 per cent) of small business suppliers. The Department of Fire and Emergency Services had 61 per cent and Department of Commerce 57 per cent.

More Information

The Who Buys What and How report provides an analysis of goods and services, and contracting expenditure by Western Australian Government Agencies.

For an electronic copy or additional information on Who Buys What and How, refer to the Department of Finance website www.finance.wa.gov.au or send an email to Business Analysis and Development gpbusinessdevelopment@finance.wa.gov.au.

The appendices are also available on the Finance website.

For further information on the UNSPSC, contact the Department of Finance via email unspsc@finance.wa.gov.au.





Government of **Western Australia**
Department of **Finance**

Optima Centre, 16 Parkland Road, Osborne Park WA 6017
Postal Address: Locked Bag 11, Cloisters Square, Perth WA 6850

T: (08) 6551 1555

F: (08) 9481 0787

E: gpbusinessdevelopment@finance.wa.gov.au

W: www.finance.wa.gov.au