

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates 1 - 2 November 2006

**Question:** sbt 9 (ABS)

**Topic:** United Nations Standard Products and Services Code

**Hansard Page:** Written

**Senator SHERRY asked:**

1. Are you aware of the United Nations Standard Products and Services Code?
2. Does the ABS have any concerns about the usage of this classification system?
  - a. In particular, are there any compatibility issues with regard to other classifications systems? For example those used by the Australian Bureau of Statistics, the Australian Customs Service or even the United Nations Statistical Division?
3. Is the ABS aware of a proposal by the Department of Finance and Administration to adopt the UNSPSC for the classification of contracts under its contract reporting regime?
  - a. Was the ABS consulted by the Department of Finance and Administration for its advice on this decision?
  - b. Even though the Contracts Reported system currently uses the out-of-date ANZSCC system, does the ABS have any issues or concerns about the move to adopt the UNSPSC system?

**Answer:**

1. The ABS is aware of the United Nations Standard Products and Services Code (UNSPSC). It is a product classification co-developed by the United Nations Development Programme (UNDP) and Dunn and Bradstreet in 1999 which is freely available and has no copyright restrictions. It is used, mainly by businesses, for the analysis and management of commercial procurement.
2. The ABS does not consider the UNSPSC suitable for official statistical purposes as it is not a standard classification endorsed by the UN Statistical Commission and it does not have the conceptual rigour required of standard international statistical classifications. For example, the categories in the UNSPSC are not mutually exclusive. The allowance for continuous updating of the UNSPSC, through requests from users to add/change/delete or move categories, is also a concern for statistical purposes, especially for time-series analysis.

The UNSPSC does not have any links with standard international statistical product classifications such as the UN Central Product Classification and the Harmonized Commodity Description and Coding System (HS).

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At its thirty sixth session in March 2006, the United Nations Statistical Commission reviewed a request to consider the potential of inclusion of UNSPSC as a "derived classification" and the possibility of concordances between this and existing reference classifications. It was decided that UNSPSC did not qualify as a "derived classification" and that conceptual differences made it practically impossible to arrive at meaningful correspondence tables between the UN Central Product Classification and the UNSPSC. See: <http://unstats.un.org/unsd/statcom/doc06/2006-7e-Classifications.pdf>

There is further information in a paper tabled at the Meeting of the Expert Group on International Economic and Social Classifications, New York, 20-24 June 2005. See: <http://unstats.un.org/unsd/class/intercop/expertgroup/2005/ac103-15.pdf>

3. The ABS is aware of the proposal by Department of Finance and Administration to adopt the UNSPSC for the classification of contracts under its contract reporting regime.

(a) The ABS was consulted by DoFA for advice on its *Commodity Classification System Discussion Paper*.

(b) As a general rule the ABS does not provide formal advice on non-statistical applications. We do receive requests for advice from many organisations on many issues. In this instance the ABS indicated to DoFA that the UNSPSC was not suitable for statistical purposes. Given that the application proposed by DoFA had no statistical implications, the ABS had no basis on which to object to the proposal. In addition, DoFA had made a sound case that the flexibility and openness to timely update of the UNSPSC made it relevant to use in a procurement application.

Correspondence between DoFA and ABS on the matter is attached. A copy of this response has been copied to Lynn Ford at DoFA as a courtesy, as DoFA correspondence has been attached (see SBT9 – ABS Response Att. A).

----- Forwarded by Mike McGrath/Staff/ABS on 20/05/2005 09:20 AM -----

**Mike McGrath**

20/05/2005 09:19  
AM

To: Christine.Butterfield@finance.gov.au  
cc: Keith James/Staff/ABS@ABS, Steve Crabb/Staff/ABS@ABS,  
Heather Olley/Staff/ABS@ABS, Ian Bobbin/Staff/ABS@ABS

Subject: Re: Commodity Classification in AusTender

Dear Christine,

Thank-you for sending a copy of the discussion paper regarding commodity classification systems and their use in AusTender.

I agree with the conclusion of the paper that, for the purposes you wish to put a commodity classification to in AusTender and given its use in the tender advertising component, using the UNSPSC in the contract reporting process makes sense.

An important aspect to my agreement is the stated lack of need for international comparability of government procurement data. Even if the need was slightly greater than that stated in the paper, I think the best course would be to adopt a classification that keeps up to the minute with product evolution in areas of critical importance for procurement (such as IT) and to pursue international comparability through a correspondence between the classification adopted and the United Nations Central Product Classification (CPC). Such a correspondence does not yet exist but the ABS has requested the UN look at whether it could devote resources to creating one in the future. Please note they have not agreed to this request at this stage. Another option for international comparability would be to create a correspondence between the UNSPSC and the World Trade Organisation's Uniform Classification System for Government Procurement.

One final note of caution regarding agreement to the paper's conclusion. I am aware that the ABS National Accounts are users of product level data relating to government units, and that these data are classified according to the Government Purpose Classification. In the most part these data come to us through an arrangement with DoFA regarding Government Finance Statistics at the Australian government level, and through treasuries in all other jurisdictions, and tends to be based on the function of the agency, rather than the type of good or service they produce or procure. This would make it appear that the procurement data (being classified currently in AusTender to ANZSCC) are not linked to the accounts data provided to us from DoFA or the treasuries. If this is the case then moving to the UNSPSC should present no data issues for the ABS. If, however, the GPC code is created through a correspondence between it and the ANZSCC codes stored in government units' systems, then adoption of the UNSPSC would be cause for concern.

There are some points on parts of the paper that I would also like to comment on. These are as follows:

1. The discussion paper states that the ANZSPC "...does not appear to have a clear maintenance process established and consequently does not seem to have kept pace with product and service developments since 2001."
2. The ANZSCC, and its successor the ANZSPC, were not designed with procurement systems in mind. They are designed for official statistical purposes and one characteristic they must exhibit is that they facilitate international comparability of official statistics. There are a number of related product classifications that together form a suite covered by the CPC. The latter classification being the core integrating mechanism for international comparability of official statistics relating to products.
3. Our policy with the ANZSPC is to keep it aligned with the UN's CPC. With this in mind, our maintenance process is precise (a term I'd rather the paper used than 'slow' or 'not well-maintained') and follows that of the CPC. The CPC will be revised in 2007 following incorporation of revisions to the World Customs Organisation's HS classification for traded goods and any updates to the International Monetary Funds EBOPS (Extended Balance of Payments Services classification). While this process, and more particularly its timing, are not well suited to the rapidity of change that a procurement system might need - especially in areas where products are emerging or transforming very quickly, it is well suited to enhancing the comparability of product statistics internationally.

Please contact me if you need any further information on the material above.

Mike.

----- Message from "Butterfield, Christine" <Christine.Butterfield@finance.gov.au> on Mon, 2 May 2005 15:18:53 +1000 -----

**To:** <mike.mcgrath@abs.gov.au>

**cc:** <barry.keeley@abs.gov.au>

**Subject:** FW: Commodity Classification in  
AusTender

> The following email and attachment was sent to your office today

>

> Dear Mr McGrath

>

> The Department of Finance and Administration is currently working on a project to redevelop the AusTender system to enhance its capability to meet the procurement information needs of the Australian Government. The system has already

been enhanced to provide interim support for the system needs arising from the implementation of the revised government procurement framework on 1 January 2005.

>

> Although the contract reporting capability that was previously provided by the Gazette Publishing System (GaPS) is now linked to AusTender, there is still much work to be done to integrate procurement information throughout the entire procurement lifecycle. We are currently working on the system design that will deliver this, and other, enhancements to AusTender.

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> The advertising component of AusTender uses the UNSPSC commodity classification system to place procurements into commodity categories and this system is widely used by government jurisdictions in Australia. However, the contract reporting component (the former GaPS) still uses the out-dated classification system ANSZCC. Enclosed is a discussion paper that explores the issues surrounding the selection of an appropriate classification system in the redeveloped AusTender, for your comment.

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> To assist us in arriving at a comprehensive and robust system design, we seek your comments on the paper by 19 May 2005. Please advise if this is not convenient. If you would like to discuss the matter, please call Christine Butterfield on (02) 6215 3665.

>

> I look forward to receiving your comments,

>

> Yours sincerely

> Duncan McIntyre

> Branch Manager

> Procurement Reporting & Systems Branch

> 2 May 2005

> > <<Discussion Paper v3 - GPInS Commodity classification codes.doc>>

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Finance Web Site: [www.finance.gov.au](http://www.finance.gov.au)

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