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(OECD)**

**2003 QUESTIONNAIRE FOR THE ISIC AND CPC REVISION**

Supporting paper submitted by the United Nations Statistics Department, New York

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\* Paper posted on Internet as submitted by the United Nations Statistics Department, New York.

## 2003 QUESTIONNAIRE FOR THE ISIC AND CPC REVISION

The questions listed in this paper reflect issues that have emerged during the preparation of the other attached documents, i.e. the Concepts paper, the ISIC structure paper and the discussion paper on coding options for ISIC. Countries are encouraged to state their position on these questions and add any other remarks they deem useful in the revision process. In this sense, this list is not intended to be exhaustive, but should cover the major problems that need to be addressed and agreed to, to arrive at classifications that can universally be accepted as international reference classifications.

As for most questions a more detailed discussion and problem description is included in the other attached documents, only references to these documents are given, rather than repeating the information included there.

### A. Questions relating to the concepts paper

1. Do you agree to the use of the value added principle for determining the primary activity of a statistical unit, particularly in the case of integrated activities?
  - a. In your country, do you currently use value added to determine the primary activity of a unit? Are any proxies for value added used by default?
  - b. Do you currently classify a unit with vertically integrated activities according to the last step in the chain of integrated activities, as recommended in ISIC Rev.3, or do you other criteria?
  - c. Should vertical integration of activities be explicitly reflected in the structure of the classification, i.e. by creating categories for certain combinations of activities? If yes, how?
    - see section on classification principles (classification principles)
2. Do you agree to the proposal for country adaptation of ISIC, as set out in the concepts paper?
  - see section on country adaptation
3. What is your position regarding the purpose and scope of the revised CPC?
  - see section on Purpose, scope and coverage of the CPC
4. What is your position on the proposed options for a CPC aggregation structure, reflecting industry or origin, demand based approach and stronger links to the BOP?
  - see section on CPC aggregation structure
  - a) if you currently use the CPC:
    - o how useful do you consider the current aggregation structure of the CPC?
    - o do you use the current CPC aggregation structure or only the CPC detail with another aggregation structure?

## **B. Questions relating to the draft ISIC structure paper**

### **B1. General questions**

These questions practically apply individually to each of the categories shown in the ISIC structure paper.

5. Do you support the creation, change or continued use of each of the 22 sections shown in the ISIC structure draft?
  - please describe the scope of any other section-level category that you would support, either by splitting, combining or otherwise rearranging the sections shown
6. Do you support the creation, change or continued use of each of the divisions shown in the ISIC structure draft?
  - please comment on the proposed content of divisions if you disagree
  - please describe any alternate breakdowns of the 22 sections that you would support
7. Do you have specific proposal for additional breakdown at more detailed levels for any of the categories listed?
  - note that some divisions already show a potential further breakdown
8. Do you have comments or specific positions on the boundary questions listed for each section and division?
  - while the content description typically describes the scope of a section or division, the items listed under boundary questions do not only indicate differences to NAICS, but also serve as better indicators for the intended scope of these categories

### **B2. Specific questions**

The discussion of ISIC structure options in various parts of the classification, has repeatedly led to single questions, which, when resolved will impact substantial parts of the classification.

#### **Top level**

9. Do you support the creation of an aggregated top-level of about 10 categories? Should such a top-level become official part of the classification?
  - see section II of the ISIC structure draft

#### **Support services**

10. General support services that are not specific to any particular industry have been combined in two sections of the ISIC draft (13 and 14 – accounting for differences in character of those services). The remaining “specific” support services or “services incidental to” should be placed closer to the industry/activity that they serve. The question is whether for these services a separate service category should be created (as for example 2.5 in the current draft) or whether these service activities should be placed / combined with the relevant detailed category of activities that they serve. If separate categories are necessary, at which level of the classification should they be introduced?
  - This relates to support services in agriculture, mining, transportation, education and finance and insurance.

### Agricultural activities

The desire to make the classification categories for agricultural activities more relevant, has led to consideration of various concepts that are of use to analysts and also reflect growing trends in agriculture.

11. The issue of “**organic farming**” has been raised, but no clear guidance can be given at this point to address this issue in an industry context. While the focus is often on organic products, the differentiation is clearly process-related. However, labelling guidelines may be different between countries. While “genetic modification” is clearly a concept in agriculture, it is not clear how boundary issues can be resolved, as practically any breeding is a form of genetic manipulation. In addition how would inadvertent modification, e.g. through seeds introduced from other areas (e.g. through wind) be treated? More definitional guidance is necessary if such a concept should be introduced.
12. The “**mixed farming**” category in ISIC Rev.3 covers units without a strong specialization. The criterion given in the classification is less 66% specialization in both crop and animal farming. There is not universal support for this activity. Additionally, in many countries there seems to be an implementation problem. An argument in the past was that this category also addresses the needs of small size farms with frequently shifting focus between those two branches of agriculture. The question has been raised a) if such a distinction is useful, b) if it violates classification concepts by creating potential overlaps with other categories, c) if a decision on principal activity should always be possible and, in case of frequent changes, should use the same methodology that would be used for manufacturing etc. and d) if this category is actually being used by countries. On the other hand, the issue has been raised as to whether additional forms of mixed farming should be recognized, such as, agriculture mixed with forestry or agriculture mixed with fishing. Country feedback on whether this category should be maintained and why it is necessary.
13. The placement of **aquaculture** under the division of Agriculture was initially proposed, based on the similarity of the activities involved. This would also enhance comparability with NAICS. This creates however problems in maintaining strong links with previous versions of the classification. To account for historical and current organization in this area, which still maintains close links between fishing and aquaculture (e.g. for fishery statistics), the identification of aquaculture as a separate activity, i.e. not included under agriculture or fishing was proposed and is reflected in the ISIC structure draft.

### Manufacturing

14. Do you agree to the aggregation of previous divisions for food, beverage and tobacco manufacturing and for textile wearing apparel and leather manufacturing, as shown in the ISIC structure draft?
  - see divisions 3.1 and 3.2 in section III.3 of the ISIC structure draft
15. Do you agree to the creation of divisions for a) the manufacture of computers, communications equipment and electronic components and b) manufacture of electrical equipment?
  - see division 3.13 and 3.14 in section III.3 of the ISIC structure draft

### **Repair and Maintenance**

Two options for treating repair and maintenance activities have emerged. While there is consensus that repair and maintenance activities should be separately identifiable, the degree to which this will affect the current structure is subject to discussion.

- A) All repair and maintenance activities are grouped together. This approach has been used in the draft in this document. It impacts on all areas that previously included repair and maintenance activities, such as manufacturing, wholesale and retail trade and computer services at a higher level.
- B) Maintain the status quo, but split up into portions that identify the detail in Manufacturing, Trade and Other Services. This “low impact” scenario would not disrupt existing time series. However, a lot of additional detail would have to be created and, similar as to option b), activities that are clearly not manufacturing would now be explicitly and separately recognized in the manufacturing area. Their current treatment as “implicit” activities stems from the fact that in the past a large share of them was carried out by the manufacturer. However, identifying these repair activities separately, breaks this link, as only specialized repair units would be included. These have no link to manufacturing, but would be included in this scenario.

If scenario A is chosen, there are two possibilities for the placement of this category:

- a) To group all repair and maintenance activities together in a new section. This approach has been used in the draft in this document.
- b) All repair and maintenance activities are grouped together in Manufacturing as a new category 3.17. While this would limit the impact of the change on the manufacturing total, it would still disrupt series relating to trade and computer services. In addition, it would move activities into manufacturing that are clearly of a different character.

16. Which of these structure and placement options for repair activities would you support in a future ISIC? Do you support the approach taken in the ISIC structure draft?

### **Wholesale / Retail sale**

17. Do you support the continued use of the type-of-customer criterion for defining the border between wholesale and retail sale?
- a. What criteria are currently used in your country to distinguish wholesale and retail sale activities?
  - see remarks in section III.7 of the ISIC structure draft

### **ISIC Rev.3.1 Division 50**

Should a division 50 for the trade and repair of automobiles be maintained? The ISIC structure questionnaire did not provide a conclusive answer to this question. In addition, following the new developments, the question would have to be supplemented by

- a) Is there a big enough percentage of units only selling cars to businesses or households?
- b) Is there a big enough percentage of units only selling or repairing?

This concerns the homogeneity of such potential categories, i.e. it refers to classifying units, not turnover or value added considerations.

Irrespective of the answers to the questions listed, it is proposed to move the retail sale of automotive fuel to retail trade.

18. Do you support the structure that is shown in the ISIC structure draft, or do you support maintaining a category more similar to the previous division 50?

### **Transport**

Different options have been raised regarding the more **detailed structure** of the transport section. While splits reflecting the mode of supply and the distinction between passenger and freight transport are both important, one has to be given precedence for a higher level split. The current draft considers the split according to mode of transport, which is also consistent with previous versions as more important.

19. Do you support the approach taken in the ISIC structure draft with respect to the division breakdown of transportation services?

Should **scenic transportation** be recognized separately? While this category may of analytical interest, it is not clear whether available data is representative of its content, as many scenic transport activities are being carried out by other “non-scenic” transport units as secondary activities.

20. Do you support the approach taken in the ISIC structure draft with respect to scenic transportation?
21. Should the long-distance transmission of **electricity** be considered a transport activity?  
- see section III.5 of the ISIC structure draft

### **IT Services and Data Processing**

The issue was raised whether IT services and data processing services should be included under the new Information section. Data processing services are included in the NAICS information sector. If the Information section is restricted to the creation and distribution of information, it will be difficult to include IT services in this category. In their character they are similar to other professional services, as they use special skills and knowledge to provide support to other activities. The current draft includes them in Professional, Scientific and Technical Services.

22. Do you support the approach taken in the ISIC structure draft with respect to IT services?

### **Real estate**

Should Real Estate, Rental and Leasing be combined at the section level of the new ISIC? The current draft assumes this approach, which is consistent with previous versions of ISIC. An alternate proposal is to leave Real Estate by itself at the section level and move Rental and Leasing to Administrative and Support Services. Does this better reflect a) the importance of Real Estate activities and b) the character of rental and leasing activities?

23. Do you support the approach taken in the ISIC structure draft with respect to Real estate activities?

### **Public administration**

24. Do you support the approach taken in the ISIC structure draft with respect to the scope of Public administration activities?
- a. Do you currently use other specific criteria for defining the scope of Public administration in your country?

### **Education**

25. Should the activity structure within the education section be tied to the level definition used by ISCED?
- this is certainly appropriate for products, but not obvious for activities

- see section III.17 of the ISIC structure draft

26. Should all types of training be considered as education?

- see section III.17 of the ISIC structure draft

### **Waste management etc.**

The section 16 (Water supply; sewage, waste management and remediation) now combines (parts of) former ISIC divisions 37, 41 and 90. In the ISIC structure draft this section has been placed with other services, similar to the position of previous division 90. As this section deals with the processing of physical goods (water, waste), it has been proposed to move this section closer to manufacturing in the ISIC structure. This could become, for instance, section 5. This may also depend on how aggregated top-level categories (see question 9) are being defined.

27. Do you support the move of section 16 (in the current draft) to support a larger grouping of goods processing activities?

### **Outsourcing**

In continuation of the current treatment, ISIC does not make a distinction between activities carried out on own account and those carried out on a fee or contract basis. This will classify the unit that carries out the outsourced activity (such as sewing) to its main activity, which is without dispute. However, a problem arises with the unit that outsources part (or even all) of its production processes. If a unit outsources all manufacturing for a given product, should this unit still be considered a manufacturer, since they own the final product?

The current treatment of ISIC treats outsourced activities (activities on a fee or contract basis) still as part of the main establishment, i.e. as if the establishment performed these activities themselves. In extreme cases, when an establishment performs no manufacturing at all, but organizes the processes and sales, the treatment as a manufacturer becomes misleading. In case of outsourcing processes involving the crossing of a border the treatment becomes even more complicated: is the manufacturer a wholesaler if the goods are exported and re-imported afterwards?

28. How should units that outsource transformation, while retaining control and oversight of the integrated process that results in the production of goods (e.g., an apparel producer who outsources the cutting, sewing, packaging, etc. but remains responsible for the entire process that results in apparel goods) be classified? Would you recommend different treatments depending on the organization and scope of the outsourced activities?

- see also sections III.3 and III.6 of the ISIC structure draft

## **C. Questions relating to the paper on coding issues for ISIC**

29. Do you have a preference for any of the coding systems presented in the paper or any others?

- see sections 1-4 of the paper

30. For manufacturing, do you consider coding option B (creating a new set of Manufacturing subcategories) an option that you would support for a revised ISIC?

- see section 5 of the paper.