

Part X--Proposed New Industry Structure for Rental and Leasing

Section A--NAICS Structure

North American Industry Classification System

(NAICS)

Agreement Number 20

This Document represents the proposed agreement on the structure of the North American Industry Classification System (NAICS) for the following industries:

Rental and Leasing

The detailed NAICS structure along with a brief description of the structure is attached (Attachments 1 and 2). Each country agrees to release a copy of the proposed NAICS structure to interested data users. Comments received will be shared among the countries and additional discussions will be held before a final decision on the structure is made. Each country may add additional detailed industries, below the 4-digit level of NAICS, as necessary to meet national needs, so long as this additional detail aggregates to a 4-digit NAICS level in order to ensure full comparability among the three countries. This NAICS structure was presented and provisionally accepted at the NAICS Committee meeting held on November 8 and November 9, 1995 in Washington, D.C.

Accepted	Signature	Date
Canada	/S/ Jacob Ryten	11/9/95
Mexico	/S/ Enrique Ordaz	11/9/95
United States	/S/ Jack E. Triplett	11/9/95

ATTACHMENT 1--NAICS STRUCTURE

- XX Rental and Leasing Services
- XXX Rental and Leasing of Automotive Equipment Without Drivers
- XXXX Rental and Leasing of Passenger Cars Without Drivers
- XXXX Rental and Leasing of Trucks Without Drivers, Utility Trailers, and Recreation Vehicles
- XXX Rental and Leasing of Consumer Goods
- XXXX Rental of Consumer Electronics, Appliances and Home and Garden Tools
- XXXX Rental of Formal Wear and Costumes
- XXXX Rental of Video Tapes
- XXXX Other Rental and Leasing of Consumer Goods
- XXX Rental and Leasing of Machinery and Equipment
- XXXX Rental and Leasing of Heavy Construction, Transportation, Mining and Forestry Machinery and Equipment
- XXXX Rental and Leasing of Office Machinery and Equipment

Attachment 2--North American Industrial Classification System

Draft Classification for:
Rental and Leasing

Representatives of the statistical agencies of Canada, Mexico, and the United States agree to a draft industry classification for these industries.

The draft classification provides for the subsector Rental and Leasing. This subsector is further subdivided into three industry groups and nine industries. The placement of this subsector within the NAICS structure is not yet decided.

A General Outline

The Rental and Leasing subsector includes establishments that acquire and own a wide variety of tangible goods, such as machinery, equipment, computers and consumer goods, and rent or lease these goods to customers, businesses or individuals in return for a periodic rental or lease payment.

The subsector includes two main types of establishments: those that provide rental of various consumer goods and equipment and those that provide longer term leases for machinery and equipment generally used in business operations. The first type generally provide short-term rentals and operate from a retail-like facility. The latter type typically have direct contact with individual clients, work with the clients to determine their individual needs, and tailor the lease arrangement to those specific ends. They often restructure the lease to provide clients with more appropriate equipment as the clients' needs change and they have expertise in remarketing or disposing of previously leased equipment and typically do not operate a retail-like facility.

Rental and leasing activities are currently dispersed throughout the classification systems of the three countries. This grouping brings together those activities with similar production processes.

Establishments that act as a third party in providing financing or credit to enable the acquisition of the equipment through a lease arrangement, such as banks or credit subsidiaries of manufacturing companies, are excluded from this subsector. They are classified in the Finance and Insurance sector. Also excluded are those establishments primarily engaged in renting or leasing real property (land and buildings). They are classified in the Real Estate subsector. Those establishments that primarily engage in renting or leasing equipment with operators are classified in various subsectors of NAICS depending on the nature of the service provided (for example, Transportation or Construction). These activities are excluded from this subsector since the lessee is paying for the expertise and knowledge of the equipment operator, in addition to the rental of the equipment. In many cases, such as the rental of heavy construction equipment, the operator is essential to operate the equipment. Likewise, because the provision of crop harvesting services includes both the equipment and operator, it is included in the agriculture subsector. The rental or leasing of intangibles or intellectual property is, for the most part, classified in the following proposed subsectors or sectors:

Information; Professional, Scientific and Technical Services; and Arts, Entertainment and

Recreation. The choice of industry is based on the nature and origin of the intangible property being made available for rental or leasing.

This subsector is subdivided into three industry groups. Establishments primarily engaged in rental and leasing of passenger cars, trucks and utility trailers comprise one industry group. This reflects the increasingly common practice of leasing these types of equipment, particularly passenger cars. These establishments generally operate a retail-like facility, some offer only short term rental, others only longer term leases, and some provide both type of services.

The second industry group includes establishments primarily engaged in renting and leasing personal and household goods. Establishments classified in this industry group often operate from a retail like or storefront facility and normally offer rental and leasing of goods for relatively short periods of time.

The third industry group includes establishments primarily engaged in renting and leasing machinery and equipment. The types of establishments included in this industry group are generally involved in providing capital or investment type equipment that clients use in their business operations. These operations are typically characterized by a business to business relationship and do not generally involve a retail like facility or operation.

Limitations and Constraints of the Classification

The proposed classification structure does not provide for complete coverage of all rental and leasing activity. There are a number establishments engaged in rental, leasing and related activities included in other areas of the classification. The most important are establishments renting and leasing transportation equipment with operators, establishments providing financing for lease arrangements (Finance and Insurance sector) and those renting and leasing real estate (Real Estate subsector). In addition, the structure excludes the distribution arm of manufacturers that use leasing as an alternative means of distributing their parent company's products. These establishments' production processes are more like the sector to which they have been assigned than to the production process of establishments included in the Rental and Leasing subsector.

The categories in this subsector are based on production processes. Because of this it does not allow for the analysis of rental and leasing activities by market segment. Some of the industries in the proposed structure cater primarily to businesses and others cater primarily to households; many establishments cater to both businesses and households. Establishments renting passenger cars and those renting home and garden tools are perhaps the best examples.

Relationship to ISIC

Four of the nine proposed industries are contained within Division 71, Renting of Machinery and Equipment without Operator, of the current International Standard Industrial Classification of all Economic Activities (ISIC, Revision 3) of the United Nations. The following NAICS industry cannot be assigned to an ISIC division without being subdivided: Other Rental and Leasing of Consumer Goods industry that includes components of Division 71, Renting of Machinery and Equipment without Operator and of Personal and Household

Goods and Division 92, Recreational, Cultural and Sporting Activities (rental of recreational equipment). However, these are small activities and should not significantly affect comparability between this NAICS subsector and ISIC Division 71. The remaining five proposed industries are contained within ISIC Division 71 and ISIC Division 65, Financial Intermediation, Except Insurance and Pension Funding (financial leasing). All establishments involved in direct leasing are classified in the Rental and Leasing subsector in NAICS regardless of the type of lease contract.

Changes to National Classifications

For Canada, the adoption of a Rental and Leasing subsector represents a significant departure from its current practice. Although the 1980 Canadian Standard Industrial Classification (CSIC) contains two industry groups for this type of activity, CSIC 991, Machinery and Equipment Rental and Leasing Services, and CSIC 992, Automobile and Truck Rental and Leasing Services, many rental and leasing activities are distributed throughout the classification. The proposed NAICS structure consolidates most rental and leasing activities here.

The most important structural change is the transfer to this subsector of the following activities: rental and leasing, without operators, of airplanes, ships and railway equipment from the transportation subsector (CSIC's 4522, 4532, 4544); rental and leasing of computer and related equipment from the computer services industry (CSIC 7721); and rental and leasing of a variety of recreational equipment from the Amusement and Recreational Services major group (CSIC 96). Since many of these activities are components of existing industries, there is a significant number of partial relationships between the proposed and existing classifications.

The content of existing rental and leasing industries has also been distributed among the proposed industries. For example, it is proposed to classify the rental and leasing of passenger automobiles and of trucks and recreational vehicles in different industries; these activities are currently classified in the same industry CSIC 9921, Automobile and Truck Rental and Leasing Services. Similarly, the major components of CSIC 9912, Rental and Leasing of Audiovisual Equipment (consumer electronics, home movies and audiovisual equipment for the trade), are assigned to three different NAICS industries.

For Mexico, this subsector includes 13 classes of CMAP: one of these classes is the equivalent of one NAICS industry; five CMAP classes make up four NAICS industries, and seven of the remaining CMAP classes are combined to create six NAICS industries. These final classes are not new but rather represent combinations of existing CMAP classes.

The rental and leasing subsector presents two important changes with respect to CMAP. The first is the reclassification of the services of buses rented without chauffeur that was classified in CMAP 711318, Scholastic Transportation Services and Tourism, and the rental of automobiles without chauffeur that was classified in CMAP 711319, Rental Services of Automobiles.

The second change refers to the separation of the CMAP 831121, Services of Television Rental, Sound Equipment, Videocassettes and Musical Instruments, that is divided into three parts: video rental centers and rental centers for appliances and electronics are in the same industry in NAICS, and the third part of the CMAP rental class, rental of musical instruments,

has been combined with the rental of compact disks to create another NAICS industry.

For the United States, the proposed NAICS structure includes 1987 SIC Industry Group 751, Automotive Rental and Leasing, Without Drivers; 1987 SIC Industry Group 735, Miscellaneous Equipment Rental and Leasing; 1987 SIC 7377, Computer Rental and Leasing; 1987 SIC 7841, Video Tape Rental; 1987 SIC 4741, Rental of Railroad Cars; and components of other transportation, personal, motion picture, amusement service, and miscellaneous business credit institutions industries. These changes are designed to bring together establishments that primarily rent or lease a wide variety of machinery or goods to individuals or businesses. While in most of these cases, the whole 1987 industry group is moving to the new NAICS subsector, selected 1987 4-digit industries are split to better define rental and leasing activities. This is particularly true in the case of 1987 SIC 7359, Equipment Rental and Leasing, NEC, that has been substantially reduced in size by the redistribution of activities formerly classified there.

Achievement of Objectives

The proposed classification structure meets the objectives for the North American Industry Classification System (NAICS) in that it comprises industries that group establishments with similar production processes and achieves comparability for the three participating countries. The NAICS structure consolidates rental and leasing of equipment and goods in one subsector and provides a structure, as well as individual industries, that recognizes specialized segments within the subsector.

The industries are economically significant. Some NAICS industries are larger than others, but this was necessary to ensure comparability among the countries or because it was not possible to subdivide large industries.

Finally, disruptions to time series, while they exist, have been minimized to the extent possible. Most of the changes reflect the regrouping of diverse residual categories to create new industries that better define the activities.

Section B-Annex: United States National Industry Detail

As explained in the *Structure* presentation of this notice, for a number of reasons 4-digit industries in the NAICS industry subsector presented in *Part X, Section A--Attachment I*, contain less detail than is currently in the U.S. SIC system, and less detail than is required to meet important analytical requirements in the U.S. The three country agreement on NAICS envisions that each country may develop national detailed industries below the NAICS industry level, so long as the national detail can be aggregated to the NAICS classification, thus assuring full North American comparability.

The ECPC is proposing U.S. 5-digit industry detail for the NAICS industry subsector covered in Part X of this notice. For cases where no 5-digit detail is shown, the ECPC is proposing that the NAICS 4-digit industries will also represent the most detailed U.S. industries.

TABLE 1

The definitions of status codes are as follows: E-existing industry; N-new industry; R-revised industry; and * means "part of". The abbreviation NEC is used for Not Elsewhere Classified.

1997 NAICS and U.S. description	Status Code	1987 SIC Code	1987 SIC description
XX Rental and Leasing Services			
XXX Rental and Leasing of Automotive Equipment Without Drivers			
XXXX Rental and Leasing of Passenger Cars Without Drivers			
XXXXX Rental of Passenger Cars Without Drivers	E	7514	Passenger Car Rental
XXXXX Leasing of Passenger Cars Without Drivers	R	*6159	Miscellaneous Business Credit Institutions (fleet leasing)
		7515	Passenger Car Leasing
XXXX Rental and Leasing of Trucks Without Drivers, Utility Trailers and Recreational Vehicles	N	*6159	Miscellaneous Business Credit Institutions (truck leasing)
		7513	Truck Rental and Leasing Without Drivers
		7519	Utility Trailers and Recreational Vehicle Rental
XXX Rental and Leasing of Consumer Goods			
XXXX Rental of Consumer Electronics, Appliances and Home and Garden Tools			
XXXXX Rental of Consumer Electronics and Appliances	N	*7359	Equipment Rental and Leasing, NEC (appliances, TV, VCR, and electronic equipment rental)
XXXXX Rental and Leasing of Home and Garden Equipment	N	*7359	Equipment Rental and Leasing, NEC (home and garden tool rental)
XXXX Rental of Formal Wear and Costumes	N	*7299	Miscellaneous Personal Services, NEC (costume, dress suit, and tuxedo rental)
		*7819	Services Allied to Motion Picture Production (wardrobe rental for motion picture film production)
XXXX Rental of Video Tapes	E	7841	Video Tape Rental
XXXX Other Rental and Leasing of Consumer Goods			
XXXXX Rental and Leasing of Home Health Furniture and Equipment	N	*7352	Medical Equipment Rental and Leasing (home health furniture and equipment rental and leasing)
XXXXX Rental of Recreational Goods	N	*7999	Amusement and Recreation Services, NEC (canoe, pleasure boats, bicycles, motorcycles, moped, go carts, etc. rental)
XXXXX All Other Rental and Leasing of Consumer Goods	R	*7299	Miscellaneous Personal Services, NEC (locker rental, except cold storage)
		*7359	Equipment Rental and Leasing, NEC (except transportation equipment, industrial equipment, and consumer electronics, appliances and home and garden equipment)
XXX Rental and Leasing of Machinery and Equipment			

XXXX	Rental and Leasing of Heavy Construction, Transportation, Mining and Forestry Machinery and Equipment			
XXXXX	Rental and Leasing of Commercial Air, Rail, and Water Transportation Equipment	N	*4499	Water Transportation Services, NEC (ship rental, commercial)
			*4741	Rental of Railroad Cars (rental of railroad cars)
			*6159	Miscellaneous Business Credit Institutions (other heavy transportation equipment finance leasing, except automotive)
XXXXX	Rental and Leasing of Heavy Construction, Mining and Forestry Machinery and Equipment	R	*7359	Equipment Rental and Leasing, NEC (airplane rental and leasing)
			*6159	Miscellaneous Business Credit Institutions (heavy machinery and equipment finance leasing)
			7353	Heavy Construction Equipment Rental and Leasing
			*7359	Equipment Rental and Leasing, NEC (oil field and well drilling equipment)
XXXX	Rental and Leasing of Office Machinery and Equipment	N	*6159	Miscellaneous Business Credit Institutions (office equipment)
			*7359	Equipment Rental and Leasing (office machine rental and leasing)
			7377	Computer Rental and Leasing
XXXX	Rental and Leasing of Other Machinery and Equipment	N	*6159	Miscellaneous Business Credit Institutions (other)
			*7352	Medical Equipment Rental and Leasing (except invalid supplies and home health furniture and equipment)
			*7359	Equipment Rental and Leasing, NEC (industrial truck and equipment rental and leasing)
			*7819	Services Allied to Motion Picture Production (motion picture equipment rental)
			*7922	Theatrical Producers (except motion picture) and Miscellaneous Theatrical Services (theatrical equipment rental)

TABLE 2

The definitions of status codes are as follows: E-existing industry; N-new industry; R-revised industry; and * means “part of”. The abbreviation NEC is used for Not Elsewhere Classified.

1987 SIC code	1987 SIC description	1997 U.S. description
4499	Water Transportation Services, NEC Ship Rental, Commercial	Rental and Leasing of Commercial Air, Rail, and Water Transportation Equipment (pt)
4741@	Rental of Railroad Cars	Rental and Leasing of Commercial Air, Rail, and Water Transportation Equipment (pt)
6159@	Miscellaneous Business Credit Institution Automobile Fleet Finance Leasing Truck Finance Leasing Air, Rail, and Water Equipment Finance Leasing Heavy Machinery and Equipment Finance Leasing Office Machinery and Equipment Finance Leasing Other Machinery and Equipment Finance Leasing	Leasing of Passenger Cars Without Drivers (pt) Rental and Leasing of Trucks Without Drivers, Utility Trailers, and Recreational Vehicles (pt) Rental and Leasing of Commercial Air, Rail, and Water Transportation Equipment (pt) Rental and Leasing of Heavy Construction , Mining, and Forestry Machinery and Equipment (pt) Rental and Leasing of Office Machinery and Equipment (pt) Rental and Leasing of Other Machinery and Equipment (pt)
7299	Miscellaneous Personal Services Formal Wear and Costume Rental Locker Rental, Except Cold Storage	Rental of Formal Wear and Costumes (pt) All Other Rental and Leasing of Consumer Goods (pt)
7352@	Medical Equipment Rental and Leasing Home Health Furniture and Equipment Rental and Leasing Medical Machinery Rental and Leasing	Rental and Leasing of Home Health Furniture and Equipment Rental and Leasing of Other Machinery and Equipment (pt)
7353	Heavy Construction Equipment Rental and Leasing	Rental and Leasing of Heavy Construction, Mining and Forestry Machinery and Equipment (pt)
7359@	Equipment Rental and Leasing, NEC Consumer Electronics and Appliances Rental and Leasing Home and Garden Tools and Equipment Rental and Leasing Residential Furniture, Party Supplies, and All Other Miscellaneous Consumer Goods Rental and Leasing Oilfield and Well Drilling Machinery and Equipment Rental and Leasing Airplane Rental and Leasing Office Machinery and Equipment Rental and Leasing Industrial Trucks Rental and Leasing	Rental of Consumer Electronics and Appliances Rental and Leasing of Home and Garden Equipment All Other Rental and Leasing of Consumer Goods (pt) Rental and Leasing of Heavy Construction, Mining and Forestry Machinery and Equipment (pt) Rental and Leasing of Commercial Air, Rail, and Water Transportation Equipment (pt) Rental and Leasing of Office Machinery and Equipment (pt) Rental and Leasing of Other Machinery and Equipment (pt)
7377	Computer Rental and Leasing	Rental and Leasing of Office Machinery and Equipment (pt)
7513	Truck Rental and Leasing, Without Drivers	Rental and Leasing of Trucks Without Drivers, Utility Trailers and Recreational Vehicles (pt)
7514	Passenger Car Rental	Rental of Passenger Cars Without Drivers
7515	Passenger Car Leasing	Leasing of Passenger Cars Without Drivers (pt)

7519	Utility Trailer and Recreational Vehicle Rental	Rental and Leasing of Trucks Without Drivers, Utility Trailers and Recreational Vehicles (pt)
7819	Services Allied to Motion Picture Production	
	Wardrobe Rental for Motion Picture Film Production	Rental of Formal Wear and Costumes (pt)
	Motion Picture Equipment Rental	Rental and Leasing of Other Machinery and Equipment (pt)
	Talent Payment Services	Payroll Services (pt) (Included in Professional, Technical, and Scientific Services subsector)
7841	Video Tape Rental	Rental of Video Tapes
7922@	Theatrical Producers (Except Motion Picture) and Miscellaneous	Rental and Leasing of Other Machinery and Equipment (pt)
	Theatrical Services	
	Theatrical Equipment Rental	Rental and Leasing of Other Machinery and Equipment (pt)
7999@	Amusement and Recreation, NEC	
	Recreational Goods Rental Including Pleasure Boats	Rental of Recreational Goods (pt)

Description of Changes to the U.S. System

Rental and Leasing Services - Fourteen industries are included in this NAICS subsector. Nine of these are new industries; three are revised 1987 SIC industries; and two are industries that existed in 1987. The primary focus of this subsector is to bring together, in one subsector, those establishments that primarily rent or lease a wide variety of machinery or goods to individuals or businesses. This subsector is significantly shaped by the splitting apart and/or regrouping of activities of 1987 SIC Industry Group 735, Miscellaneous Equipment Rental and Leasing. Additionally, activities from other 1987 major groups are included here because of the similarity of their production processes and to better achieve comparability with Mexico and Canada. The following new industries were added for 1997:

Rental and Leasing of Trucks Without Drivers, Utility Trailers and Recreational Vehicles from 1987 SIC 7513, Truck Rental and Leasing Without Drivers; 1987 SIC 7519, Utility Trailers and Recreational Vehicles Rental; and part of 1987 SIC 6159, Miscellaneous Business Credit Institutions.

Rental of Consumer Electronics and Appliances from part of 1987 SIC 7359, Equipment Rental and Leasing, NEC.

Rental and Leasing of Home and Garden Equipment from part of 1987 SIC 7359, Equipment Rental and Leasing, NEC.

Rental of Formal Wear and Costumes from part of 1987 SIC 7299, Miscellaneous Personal Services, NEC, and part of SIC 7819, Services Allied to Motion Picture Production.

Rental and Leasing of Home Health Furniture and Equipment from part of 1987 SIC 7352, Medical Equipment Rental and Leasing.

Rental of Recreational Goods from part of 1987 SIC 7999, Amusement and Recreation Services, NEC.

Rental and Leasing of Commercial Air, Rail, and Water Transportation Equipment from part of 1987 SIC 4499, Water Transportation Services, NEC; part of 1987 SIC 4741, Rental of Railroad Cars; part of 1987 SIC 6159, Miscellaneous Business Credit Institutions; and part of 1987 SIC 7359, Equipment Rental and Leasing, NEC.

Rental and Leasing of Office Machinery and Equipment from part of 1987 SIC 6159, Miscellaneous Business Credit Institutions; 1987 SIC 7377, Computer Rental and Leasing; and part of 1987 SIC 7359, Equipment Rental and Leasing, NEC.

Rental and Leasing of Other Machinery and Equipment from part of 1987 SIC 6159, Miscellaneous Business Credit Institutions; part of 1987 SIC 7352, Medical Equipment Rental and Leasing; part of 1987 SIC 7359, Equipment Rental and Leasing, NEC; part of 1987 SIC 7819, Services Allied to Motion Picture Production; and part of 1987 SIC 7922, Theatrical Producers (Except Motion Picture) and Miscellaneous Theatrical Services

The following three 1997 industries were modified from their 1987 definitions:

Leasing of Passenger Cars Without Drivers from part of 1987 SIC 6159, Miscellaneous Business Credit Institutions and 1987 SIC 7515, Passenger Car Leasing.

All Other Rental and Leasing of Consumer Goods from part of 1987 SIC 7299,

Miscellaneous Personal Services, NEC, and part of 1987 SIC 7359, Equipment Rental and Leasing, NEC. This industry brings together all miscellaneous rental and leasing of equipment and goods not specified in any of the other NAICS industries because of the similarity of production process among all of these activities

Rental and Leasing of Heavy Construction, Mining, and Forestry Machinery and Equipment from part of 1987 SIC 6159, Miscellaneous Business Credit Institutions; 1987 SIC 7353, Heavy Construction Equipment Rental and Leasing; and part of 1987 SIC 7359, Equipment Rental and leasing, NEC. This industry was modified for comparability with Canada and Mexico.

The number of rental and leasing industries increased from 10 in 1987 to 14 in 1997. For time series linkage, 6 of the 10 1987 industries are comparable within three percent of the 1997 industries. Most of the changes reflect the regrouping of diverse residual categories to create new industries that better define the activities. For example, new industries have been created from 1987 SIC 7359, Equipment Rental and Leasing, NEC; 1987 SIC 7299, Miscellaneous Personal Services, NEC; and 1987 SIC 7999, Amusement and Recreation Services, NEC. These new industries include, among others, Rental and Leasing of Heavy Construction, Transportation, Mining and Forestry Machinery and Equipment; Rental and Leasing of Office Machinery and Equipment; and Rental of Consumer Electronics and Appliances.