



HARMONIZED SYSTEM
COMMITTEE

-
26th Session
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(+ Annexes I to III)
O. Eng.

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UN/SPSC COMMODITY CLASSIFICATION SYSTEM

(Item III.5 on Agenda)

I. BACKGROUND

1. In February 1999, the United Nations Development Programme (UNDP) and the private sector firm Dun & Bradstreet introduced a commodity and services classification system called UN Standard Product and Service Codes (UN/SPSC). UN/SPSC is said to be designed to facilitate electronic commerce and is available through the Internet free of charge (Web site : www.dnb.com/unspsc). The relevant press release is reproduced in Annex I to this document.
2. UN/SPSC has a hierarchical structure containing a positive list of commodities (whether or not in combination with services), i.e., only those commodities are included which were requested to be included by Members of the system. It assigns a unique number to each product listed, and contains 55 segments, subdivided into “families”, “classes” and “commodities” (the latter being the most detailed level, identifying commodities by eight digits). Two more digits may be added to identify the business function (e.g., leasing). A list with the various “segments”, and a part of “Segment 44 : “Office equipment, accessories and supplies”” are reproduced in Annexes II and III to this document, respectively. It should be noted that the system does not contain residual categories, though existing groups can be further subdivided into sub-categories, upon request by a Member.
3. The system contains three design rules, i.e. :
 - (i) A commodity is classified with others that serve or support a common function, purpose or task;
 - (ii) A commodity is classified with others made by a similar process and often manufactured by the same company or a similar company; and
 - (iii) If the first two rules do not apply, then the material from which the commodity is made will help determine its classification.

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II. SECRETARIAT COMMENTS

4. The Secretariat would like to point out first that UN/SPSC seems to have been initially developed as a system for procurement services for the benefit of UN agencies. However, by merging the UNDP and Dun & Bradstreet commodity classification systems, UN/SPSC is now advertised as a facilitating instrument for doing business, reducing costs and better managing supply chains, while organizations and companies are encouraged to work with UN/SPSC.
5. Second, the structure of UN/SPSC does not correspond to the structure of the Harmonized System. Consequently, the use of UN/SPSC may not only cause confusion among economic operators, but it will also increase costs, due to designating the commodity more frequently in the course of a single international transaction. This was, indeed, one of the main reasons for developing the Harmonized System, which has been adopted by 177 countries and Economic or Customs Unions for their commodity classification purposes (Customs tariff rates, statistics, etc.), and by several international organizations (including WTO and United Nations Statistics Division (UNSD)).
6. Third, the Secretariat has recently received some inquiries in this regard from private companies. The first one referred to UN/SPSC as an “approved code by the United Nations developed in co-operation with Dun & Bradstreet” and wondered whether WCO would adopt (in near future) “this classification system facilitating electronic commerce”, or would develop its own set of new codes. In reply, the Secretariat strongly recommended against the use of the UN/SPSC classification system.
7. A second inquiry, though not referring to UN/SPSC but on a similar subject, concerned a possible conversion table between the Harmonized System classification and the Common Procurement Vocabulary, which is an internal instrument issued by the European Community to be used by public authorities and economic processors when drafting public procurement notices.
8. Finally, the Secretariat has not been able to retrieve the French version of the texts reproduced in the annexes, as translations are apparently available to Members only.
9. The Secretariat is very much concerned about the possible competition of UN/SPSC with the Harmonized System. It has, therefore, not only contacted UNSD (March 1999), but also written to UNDP (May 2000) expressing its serious concern vis-à-vis the proliferation of UN/SPSC, indicating that the introduction of another commodity classification instrument would certainly not facilitate international and national trade. Although a copy of correspondence between UNSD and UNDP was received (April 1999), the Secretariat is still waiting for a reaction from UNDP.
10. Having reported this, the Secretariat wonders whether Customs administrations have come across any difficulties or confusion in this respect, e.g., the use of UN/SPSC or similar codes for Customs declarations. Furthermore, it would seek the Committee's views as to whether the Secretariat should take stronger action vis-à-vis UNDP, and if so, what the nature of that action should be.

III. CONCLUSION

11. The Committee is invited to express its view on the promulgation of the UN/SPSC commodity classification system, and to indicate whether the Secretariat should take stronger action vis-à-vis UNDP, taking into account the comments of the Secretariat in paragraphs 4 to 9 above.

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Press release, 23 February 1999

New York - The United Nations Development Programme and Dun & Bradstreet today introduced the first global commodity code standard that classifies more than 8,000 products and services around the world and is designed to facilitate electronic commerce.

The eight-digit, hierarchical code is the result of a merger of the United Nations' Common Coding System (UNCCS) and Dun & Bradstreet's Standard Product and Services Codes (SPSC). The UNSPSC allows companies to consistently classify the products and services they buy and sell, and is available free of charge from www.unspsc.org.

Companies using the code in combination with a universal business identifier such as the D&B D-U-N-S ® Number - which identifies more than 50 million businesses worldwide - will be well-positioned to track and manage their relationships with suppliers. When appended to a company's file of suppliers, the UNSPSC and the D&B D-U-N-S Number can assist firms in identifying their interrelated suppliers and gauging opportunities for consolidating or leveraging suppliers.

"Now, with the introduction of this global commodity code standard, companies will be better able to manage their supply chains and improve their overall efficiency," said Andre Dahan, president of Dun & Bradstreet, U.S. "The UNSPSC can help companies more effectively control their level of spend across business units and country borders with the potential of delivering a significant improvement in profitability."

James Gustave Speth, administrator of the United Nations Development Programme, said, "With the classification system we are introducing today, and with access to information technology, small and medium-sized companies in developing countries will be able to compete more effectively in the global marketplace, and in countries that they simply could not reach before."

When applied to product catalogs, the UNSPSC will help companies identify suppliers anywhere in the world. It can also be used as a high level index to cross-reference all products and services with given suppliers, resulting in the maximization of purchasing power. The code will help suppliers more effectively market their products and services and compete on a global basis.

Gary Reiner, senior vice president and CIO of General Electric Co., believes the new UNSPSC codes will help "GE manage worldwide purchasing for all of our businesses." According to Reiner, "The consistent UNSPSC system will generate substantial savings for GE by enabling us to consolidate our purchases, streamline our supplier base and ensure that each business benefits from company-wide contracts."

"As the global purchasing card leader, Visa supports new product developments that provide customers the ability to further improve their processes and reduce costs," said Bruno Perreault, senior vice president of commercial products, Visa USA. "Visa is proud to endorse the UNSPSC Code as the global classification for products and services, and is already working with Dun & Bradstreet to provide Visa customers with detailed, accurate reporting based on the UNSPSC standard."

Purchasing card issuers, ERP (Enterprise Resource Planning) software providers, desktop procurement software providers, industrial buyers, industry groups, catalog companies and standards bodies have all expressed an interest in the UNSPSC.

Fadi Chehade, CEO of RosettaNet, said: "RosettaNet's effort to enable electronic commerce between partners in the IT supply chain would be encumbered without the emergence of the UNSPSC classification. Our members, which include the leading companies in the global IT

sector, have solidly voted to approve the adoption of the UNSPSC classification code and its permeation across systems and catalogs globally."

"We see the UNSPSC as a major enabler toward achieving significant cost savings in purchasing goods and services," said Mark Simmons, global leader of Ernst & Young's sourcing and supplier management practice. "Purchased goods and services finally have common global definitions, allowing companies to leverage, standardize and obtain high compliance supplier contracts. As global sources evolve, supplier identification and qualification becomes much easier because we can now view suppliers around the world right from our desktops."

UNSPSC Methodology

The UNSPSC classifies products and services at the two-, four-, six- and eight-digit levels, depending on the specific needs of the user. Each subsequent level of detail describes a subset of all codes and descriptions preceding it in the code's hierarchy. For example, ballpoint pens at the eight-digit level are a subset of writing instruments at the six-digit level, which are a subset of office supplies at the four-digit level. These descriptions are varying degrees of "Office Equipment, Accessories and Supplies" at the two-digit level. A ninth and tenth digit that can be added to indicate a business relationship to the supplier such as rental/lease, wholesale, retail or original equipment manufacturer. Each UNSPSC is unique and allows unambiguous translation of the commodity's description into any language.

Global Open Standard

Created by a team of analysts and researchers from both D&B and the Inter-Agency Procurement Services Organization (IAPSO) of the UNDP, UNSPSC is considered an open standard, and companies and other organizations worldwide are encouraged to apply the codes in their business systems. Use of the codes is free of licensing fees. For assistance in assigning the code, businesses should access www.dnb.com/unspsc/.

About Dun & Bradstreet

Dun & Bradstreet (D&B), a company of The Dun & Bradstreet Corporation is the world's leading provider of business credit, marketing and purchasing information and receivable management services. Companies of all sizes in all industries around the world use D&B information in their supply and demand chains. By integrating D&B information into business systems and processes, companies can better manage their customers and suppliers and achieve a direct and seamless link between back-office and front-office operations. The Dun & Bradstreet Corporation, which also includes Moody's Investors Service, is headquartered in Murray Hill, N.J., does business in 41 countries and employs approximately 12,500 people. Its reported 1998 revenue from continuing operations was US \$1.93 billion. Additional information about Dun & Bradstreet is available through its Web site, www.dnb.com.

The Inter-Agency Procurement Services Office (IAPSO), established by the United Nations Development Programme (UNDP) in 1978, assists its partner organizations within the UN system in the most economical acquisition of essential equipment and supplies. UNDP/IAPSO has two equally important functions. First, UNDP/IAPSO engages in research and development in the area of procurement for the benefit of the UN system, and assists governments and suppliers interested in doing business with the UN system. Second, UNDP/IAPSO provides a wide range of procurement services-including advisory, direct procurement, and training/capacity building services-to UN country teams, governments and non-government organizations supporting the activities in UNDP program countries. Additional information about UNDP/IAPSO may be found on the Web site, www.iapso.org.

<u>Segment</u>	<u>Title</u>
[10]	Live Plant and Animal Material, Accessories and Supplies
[11]	Mineral, Textile and Inedible Plant and Animal Materials
[12]	Industrial Chemical and Gas Materials
[13]	Plastic, Rubber and Elastomeric Materials
[14]	Paper Materials and Products
[15]	Fuels, Fuel Additives, Lubricants and Anti-corrosives Materials
[20]	Mining Machinery and Accessories
[21]	Farming, Fishing, Forestry and Wildlife Machinery and Accessories.
[22]	Building and Construction Machinery and Accessories
[23]	Industrial Manufacturing and Processing Machinery and Accessories
[24]	Material Handling, Conditioning and Storage Machinery, Accessories and Supplies
[25]	Commercial, Military and Private Vehicles, Accessories and Components
[26]	Power Generation and Distribution Machinery and Accessories
[27]	Tools and General Machinery
[30]	Structures, Building and Construction Components and Supplies
[31]	Manufacturing Components and Supplies
[32]	Electronic Components and Supplies
[39]	Lighting and Electrical Accessories and Supplies
[40]	Distribution and Conditioning Systems, Equipment, and Components
[41]	Laboratory, Measuring, Observing and Testing Equipment
[42]	Medical Equipment, Accessories and Supplies
[43]	Communications, Computer Equipment, Peripherals, Components and Supplies
[44]	Office Equipment, Accessories and Supplies
[45]	Printing, Photographic and Audio/Visual Equipment and Supplies
[46]	Defense, Law Enforcement, Security and Safety Equipment and Supplies
[47]	Cleaning Equipment and Supplies
[48]	Service Industry Machinery, Equipment and Supplies
[49]	Musical Instruments, Recreational Equipment, Supplies and Accessories
[50]	Food Beverage and Tobacco Products
[51]	Drugs and Pharmaceutical Products
[52]	Furniture, Furnishings, Domestic Appliances and Consumer Electronic Products
[53]	Apparel, Luggage, and Personal Toiletry Products
[54]	Timepieces, Jewelry, and Gemstone Products
[55]	Published Products
[70]	Farming, Fishing, Forestry and Wildlife Contracting Services
[71]	Mining, Oil and Gas Drilling Services
[72]	Building, Construction and Maintenance Services
[73]	Industrial Production and Manufacturing Services
[76]	Industrial Cleaning Services
[77]	Environmental Services
[78]	Transportation, Storage and Mail Services
[80]	Management, Business Professionals and Administrative Services
[81]	Research and Science-Based Services
[82]	Editorial, Design, Graphic and Fine Art Services
[83]	Public Utilities and Public Sector Related Services
[84]	Financial and Insurance Services
[85]	Healthcare Services
[86]	Education and Training Services
[90]	Travel, Food, Lodging and Entertainment Services
[91]	Personal and Domestic Services
[92]	National Defense, Public Order, Security and Safety Services
[93]	Politics and Civic Affairs Services
[94]	Organizations and Clubs

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Example from current UN/SPSC List

Segment 44: "Office Equipment, Accessories and Supplies"
(Extract)

44 Office Equipment, Accessories and Supplies

This segment includes office machines, equipment, accessories and supplies commonly used in the clerical and administrative function of a business. Examples include calculating, copying and mail handling equipment as well as drafting and stationary supplies and accessories such as writing instruments and desk organizers.

44 10 Office machines and their supplies and accessories

44 10 15 **Duplicating machines**

- 01 Copiers
- 02 Facsimile machines

44 10 16 **Paper processing machines**

- 01 Paper cutting machines
- 02 Paper punching or binding machines

44 10 17 **Printer, copier and fax accessories**

- 01 Color options or upgrades
- 02 Duplexer trays
- 03 Duplexer units
- 04 Fax handsets

44 10 18 **Calculating machines**

- 01 Calculators
- 02 Adding machines
- 03 Accounting machines

44 10 19 **Check endorsing and writing machines**

- 01 Check endorsing machines
- 02 Check writing machines

44 10 20 **Laminating supplies**

- 01 Lamination film

44 10 21 **Mail machines**

- 01 Franking or postage machines
- 02 Mail opening machines
- 03 Mail sealing machines
- 04 Stamp canceling machines
- 05 Addressing machines

44 10 22 **Scanner accessories**

- 01 Endorsers