



Federal Register

**Friday,
December 27, 2002**

Part IX

Office of Management and Budget

**2002 North American Industry
Classification System—Updates for 2007;
Notice**

OFFICE OF MANAGEMENT AND BUDGET

2002 North American Industry Classification System—Updates for 2007

AGENCY: Office of Management and Budget, Executive Office of the President.

ACTION: Notice of request for comments related to potential revisions to the North American Industry Classification System (NAICS) for 2007.

SUMMARY: Under Title 44, U.S.C. 3504(e), the Office of Management and Budget, through its Economic Classification Policy Committee (ECPC), is soliciting public comment on several questions related to a potential revision of the North American Industry Classification System (NAICS) for 2007. First, the ECPC is requesting feedback on the relative priority that should be assigned to each of the four underlying principles of NAICS. Second, the ECPC is seeking public comment on three potential goals for NAICS: increasing NAICS comparability within North America; accounting for new and emerging industries; and assessing the desirability of achieving greater future comparability with the industry classification systems used in Europe and the United Nations. The ECPC is soliciting public comment on each of these goals and how they should be ranked. Background information about NAICS' underlying principles and potential goals, as well as specific questions soliciting comments and suggestions, are provided in Parts I through IV below. Third, the ECPC is seeking proposals for new and emerging industries for consideration in potential revisions to NAICS for 2007. Finally in this notice the ECPC is notifying the public about procedures to announce updates to NAICS 2002 for any identified errors and omissions.

In Part I, the ECPC is soliciting public comment on the priority or weight that should be assigned to the four principles of NAICS: apply the production-oriented conceptual framework; recognize new and emerging industries; maintain time series continuity to the extent possible; and strive for international comparability. In Part II, the ECPC is soliciting public comment on the need to expand North American comparability during a 2007 revision of NAICS. Part III includes a solicitation for comment on the need to identify new and emerging industries. Part IV solicits public comment on the desirability of increasing international comparability and approaches that

could be used. Part V solicits proposals that identify new and emerging industries. Part VI presents notification of a method to publicize corrections for errors and omissions that are identified in NAICS 2002.

In soliciting public comment about revising NAICS, the ECPC does not intend to open the entire classification for substantial change in 2007. The ECPC will consider public comments and proposals for changes or modifications that advance the goals of greater comparability within North America and that identify new and emerging industries. The ECPC is also seeking comments on the desirability of greater comparability with the industry classifications used in Europe and the United Nations as well as the preferred approach for obtaining greater international comparability. Although changes to NAICS solely for the purpose of enhancing international comparability are not expected to be a part of the NAICS 2007 revision, changes that improve NAICS in other ways and also enhance comparability will be considered. The comments received by the ECPC regarding the desirability of international comparability will be used to compile a set of recommendations for change to the international classification systems.

DATES: To ensure consideration of comments or proposals related to the potential revision of NAICS for 2007 detailed in this notice, comments must be submitted in writing. Comments on Parts I through IV should be submitted as soon as possible but no later than January 27, 2003. Comments on Part V should be submitted as soon as possible but no later than March 28, 2003. Please be aware of delays in mail processing at Federal facilities due to tightened security. Respondents are encouraged to send both a hard copy and a second copy via fax or e-mail.

ADDRESSES: Comments and proposals in response to this notice should be addressed to John Murphy, Chair, Economic Classification Policy Committee, Bureau of the Census, Room 2641-3, Washington, DC 20233-6500. It is suggested that written submissions be provided by e-mail to John.Burns.Murphy@census.gov or by fax at (301) 457-1343. Mr. Murphy can be reached at (301) 763-5172.

Electronic Availability: This document is available on the Internet from the Census Bureau Internet site at <http://www.census.gov/epcd/naics07/naics07fr.pdf>. The NAICS site <<http://www.census.gov/epcd/www/naics>> contains previous NAICS United States **Federal Register** notices, ECPC Issues

Papers, ECPC Reports, the current structure of NAICS United States 2002, and related documents.

Public Review Procedure: All comments and proposals received in response to this notice will be available for public inspection at the Bureau of the Census, Suitland, Maryland. Please telephone the Census Bureau at (301) 763-5172 to make an appointment to enter the Federal Center. OMB will publish all ECPC recommendations for changes to NAICS for 2007 resulting from this notice in the **Federal Register** for review and comment prior to final action.

FOR FURTHER INFORMATION CONTACT: John Murphy, Chair, Economic Classification Policy Committee, Bureau of the Census, Room 2641-3, Washington, DC 20233-6500. Mr. Murphy can be reached at (301) 763-5172, by fax at (301) 457-1343, or by e-mail at John.Burns.Murphy@census.gov.

SUPPLEMENTARY INFORMATION: The supplementary information section of this notice is divided into six parts and an appendix. Part I provides background on NAICS 2002 and solicits comments on the prioritization of the four principles of NAICS; Part II solicits views regarding the advisability of increasing North American comparability; Part III solicits comments on the advisability of revising the classification for new and emerging industries; Part IV solicits input on the desirability of increased international comparability of industry statistics; Part V solicits proposals for new and emerging industries; and Part VI notifies the public of the location where the correction of errors or omissions for NAICS 2002 will be publicized.

Part I: Background of NAICS 2002

The North American Industry Classification System (NAICS) is a system for classifying establishments (individual business locations) by type of economic activity in Canada, Mexico, and the United States. Its purposes are: (1) to facilitate the collection, tabulation, presentation, and analysis of data relating to establishments, and (2) to promote uniformity and comparability in the presentation and analysis of statistical data describing the North American economy. NAICS is used by Federal statistical agencies that collect or publish data by industry. It is also widely used by State and local agencies, trade associations, private businesses, and other organizations.

Mexico's Instituto Nacional de Estadística, Geografía e Informática (INEGI), Statistics Canada, and the United States Office of Management and

Budget (OMB), through its Economic Classification Policy Committee (ECPC), collaborated on NAICS to make the industry statistics produced by the three countries comparable. NAICS is the first industry classification system developed in accordance with a single principle of aggregation, the principle that producing units that use similar production processes should be grouped together in the classification. NAICS also reflects in a much more explicit way the enormous changes in technology and in the growth and diversification of services that have marked recent decades. Industry statistics presented using NAICS are comparable, to a limited extent, with statistics compiled according to the latest revision of the United Nations' International Standard Industrial Classification (ISIC, Revision 3) for some sixty high-level groupings.

For the three countries, NAICS provides a consistent framework for the collection, tabulation, presentation, and

analysis of industry statistics used by government policy analysts, by academics and researchers, by the business community, and by the public. However, because of different national economic and institutional structures as well as limited resources and time for constructing NAICS, its structure was not made entirely comparable at the individual industry level across all three countries. For some sectors and subsectors, the statistical agencies of the three countries agreed to harmonize NAICS based on sectoral boundaries rather than on a detailed industry structure. (The meaning of sectors and subsectors is provided below.) The portions of NAICS that are not comparable at the detailed industry level are delineated in Part II, below.

The four principles of NAICS are:

(1) NAICS is erected on a production-oriented conceptual framework. This means that producing units that use the same or similar production processes are grouped together in NAICS.

(2) NAICS gives special attention to developing production-oriented classifications for (a) new and emerging industries, (b) service industries in general, and (c) industries engaged in the production of advanced technologies.

(3) Time series continuity is maintained to the extent possible.

(4) The system strives for compatibility with the two-digit level of the International Standard Industrial Classification of All Economic Activities (ISIC Rev. 3) of the United Nations.

The ECPC is committed to maintaining the principles of NAICS as it develops further refinements. The current request for public comment on questions related to a potential revision of NAICS in 2007 results directly from the application of the four NAICS principles.

NAICS uses a hierarchical structure to classify establishments from the broadest level to the most detailed level using the following format:

| | | |
|-------------------------|---------------|--|
| Sector | 2-digit | Sectors represent the highest level of aggregation. There are 20 sectors in NAICS representing broad levels of aggregation. |
| Subsector | 3-digit | Subsectors represent the next, more detailed level of aggregation in NAICS. There are 100 subsectors in NAICS. |
| Industry Group | 4-digit | Industry groups are more detailed than subsectors. There are 317 Industry groups in NAICS. |
| NAICS Industry | 5-digit | NAICS industries are the level that, in most cases, represents the lowest level of three country comparability. There are 725 five-digit industries in NAICS. |
| National Industry | 6-digit | National industries are the most detailed level of NAICS. These industries represent the national level detail necessary for economic statistics in an industry classification. There are 1179 U.S. industries in NAICS United States, 2002. |

The implementation of the first vintage of NAICS—NAICS 1997—affected almost half of the industries that were available for use under the 1987 Standard Industrial Classification (SIC). The application of new concepts, new definitions, and the new structure was very disruptive to all users of the industry classification. By comparison, the changes for 2002 were limited in number and confined to three of the twenty NAICS sectors and 10 percent of the NAICS industries. In 2002, NAICS was revised to improve comparability in the Construction sector for the three countries and changes were made to identify Internet service providers (ISPs), web search portals, Internet auctions, and other activities not adequately addressed in NAICS 1997. Complete details on the 2002 revisions were published in an April 20, 2000, **Federal Register** notice (65 FR 21242–21282). The industry changes for 2002 did lead to additional disruption in Federal statistics because of varying implementation schedules for statistical agencies. Implementation of NAICS has extended from 1997 with complete implementation of the NAICS 2002

changes anticipated in 2006 or later. During this time period, various statistics will continue to be produced using the 1987 SIC, NAICS 1997, or NAICS 2002. The variation in implementation schedules is unavoidable because of program requirements but does cause problems for data users when their source data are based on different classifications or different versions of the classification. Additional time series disruptions have been limited because industry changes for 2002 did not significantly cross sector lines. A current implementation schedule for the agencies participating in the ECPC is available at: <http://www.census.gov/epcd/www/naicsfed.htm>.

NAICS represents a significant improvement over the previous classification systems used in North America. To ensure the relevance, accuracy, and timeliness of the classification, NAICS is reviewed every five years to determine what, if any, changes are required. The ECPC recognizes the costs involved when implementing industry classification revisions in statistical programs and the

costs for data users when there are disruptions in the comparability of data. The ECPC also recognizes the economic, policy, and statistical implications that arise when the industry classification system does not identify and account for important economic developments. Balancing the costs of change against the potential for more relevant and accurate economic statistics requires significant input from data producers, data providers, and data users.

As the ECPC considers possible changes for NAICS 2007, it wants to ensure that changes to the industrial classification match the needs of data producers and users over time. The ECPC is soliciting comments on the priority and weight that should be assigned to each of the four principles of NAICS:

1. Apply the production-oriented conceptual framework;
2. Recognize new and emerging industries;
3. Maintain time series continuity to the extent possible; and
4. Strive for international comparability.

Part II. Increasing the North American Comparability of NAICS

The following NAICS sectors are currently comparable only at the sector (two-digit) level: utilities, wholesale trade; retail trade; and public administration. Other areas where comparability is somewhere between the sector level and the NAICS industry (five-digit) level are: finance and insurance; real estate; waste management and remediation services; as well as other services including personal and laundry services, and religious, grantmaking, civic, professional and similar organizations. Separate agreements providing for detailed industry comparability between Canada and the United States were reached for the Utilities, Retail Trade, and Finance and Insurance Sectors. To distinguish the three countries' versions of NAICS, they are called NAICS Canada, NAICS Mexico (SCIAN Mexico, in Spanish), and NAICS United States.

The ECPC recognizes the need for increasing the comparability of the NAICS structures being used in the three countries. The ECPC also recognizes the time sensitive nature of any revisions for 2007 and the costs of change. For this reason, the ECPC is soliciting public comment on the advisability of work to complete those areas of NAICS where comparability is currently at the two-digit (sector) level only. It should be noted that although there is only two-digit comparability for Public Administration, the governmental structures in each of the three countries are very different, and a need for comparable statistics within the Public Administration sector at the detailed industry level in all three countries has not been identified. Furthermore Wholesale Trade was revised during the NAICS 2002 review and is not a priority for the ECPC unless change is needed based on proposals for new and emerging industries. In addition, there is a separate agreement between Canada and the United States in the Retail Trade sector at the five-digit level. Although the Utilities sector is of considerable interest throughout North America, the current NAICS United States structure is appropriate for the current level of deregulation in the utility industries, and we have complete agreement with Canada at the five-digit (NAICS industry) level.

Because of resource constraints, the ECPC does not plan to increase North American comparability at this time. The ECPC is soliciting public comment on this position.

Part III. New and Emerging Industries

NAICS was developed to be a dynamic industry classification. Every five years, the classification is reviewed to determine the need to identify new and emerging industries. The ECPC has not, to date, identified specific changes that are needed. The ECPC is soliciting public comments on the advisability of revising NAICS for new and emerging industries in 2007 and soliciting proposals for these new industries.

When developing proposals for new and emerging industries, please note that there are two separate economic classification initiatives underway in the United States. NAICS, the industry classification, is the subject of this notice. The North American Product Classification System (NAPCS) will complement the NAICS industry system and provide an alternate way of classifying output. Comments on NAPCS are not being sought through this notice. NAICS was developed to classify units according to their production function. NAICS results in industries that group units undertaking similar activities using similar resources but does not necessarily group all similar products or outputs. NAPCS is being developed to classify the productive economic activities of units through their products or transactions, within a demand-based conceptual framework. For example, the hypothetical product of a flu shot can be provided by a doctor's office, a hospital, or a walk-in clinic. These three units are classified to three different NAICS industries; if data users want information about all flu shots provided, they must be able to identify the individual products coming out of the units. In many cases, the need for specific statistical data is better addressed with product data crossing industries rather than with the creation of a new industry. This is particularly true with NAICS, which groups establishments into industries based on their production function. Proposals for new industries in NAICS for 2007 will be evaluated within the context of both the industry and product classification systems to determine the most appropriate resolution. Certain proposals may be more adequately addressed through the identification and collection of product data. For a detailed description of the NAPCS initiative, see the April 16, 1999, **Federal Register** notice (64 FR 18984–18989) available at <http://www.census.gov/napcs>.

Part IV. Comparability With the Industry Classifications Used in Europe and the United Nations

As described in Part I of this notice, one of the principles of NAICS is comparability with the International Standard Industrial Classification (ISIC) of the United Nations. The Statistical Classification of Economic Activities in the European Community (NACE) is derived directly from ISIC. Over the past two years, an international working group with representatives from Eurostat, INEGI of Mexico, Statistics Canada, the United Nations, and the United States has studied ISIC, NACE, and NAICS. This group has identified the current classification systems' similarities and differences, beginning with underlying concepts and continuing to the detailed levels. The study is a multi-year initiative beginning with a detailed review of the systems and continuing in future years with recommendations for change to ISIC and potentially changes to NACE and/or NAICS that would lead to greater comparability of data resulting from the application of these systems. Each year, a review of the status and recommendations from this study is conducted with a decision to continue or stop made by the sponsoring agencies. The current phase of the study calls for public input on the advisability of modifying industrial classifications to foster greater international comparability.

Improved international comparability for NAICS can be attained using several different approaches:

- **Concordance**—The simplest approach for improving comparability is to create a concordance between ISIC and NAICS and a concordance between NACE and NAICS showing differences and similarities of the classification systems. While straightforward to construct, concordances become problematic because industries or combinations of industries in one classification do not link directly to an industry in the other classification. Rather it is common for parts of multiple industries in one system to link to one or more industries in the other system, making it very difficult to separate the "parts" from the industry total. As one aspect of the comparability study, the working group is developing these concordances. Upon their completion, the full concordances between ISIC and NAICS U.S. and NACE and NAICS U.S. will be available for review at: <http://www.census.gov/epcd/naics02/concordances>.
- **Limited Changes in NAICS**—A second approach is to aim for

comparability at sectoral levels such as manufacturing, retail trade, and services or at some level below the sector level. This approach will require changes to the underlying classification systems and would require changes to specific industries, sometimes creating new industries or moving part of one industry to another industry. The international working group has developed an illustrative hypothetical scenario that represents one way that the differences in classifications could be resolved. The scenario, summarized in Appendix I of this notice, creates a structure separate from NAICS that could form the basis for a recommendation for a new structure for ISIC. With this scenario, comparability could be obtained for 290 detailed groupings and 94 related aggregations of those detailed groupings by making adjustments to 45 NAICS U.S. national industries. The scenario structure would redefine the ISIC industries and bring them into agreement with the principles and concepts of NAICS. When combined with the 45 changes to NAICS U.S. summarized in Appendix I, the results would reduce or eliminate the many-to-many relationships associated with moving parts of industries. This scenario is presented as an illustration of how comparability could be improved while minimizing changes to NAICS. It does not represent the position of the United States or the statistical agencies represented on the ECPC. The scenario is exactly that, an illustration developed using the principles of NAICS as one possible way to resolve the differences presented in the concordances prepared by the working group if comparability beyond those concordances is determined to be desirable based on the comments received in response to this notice.

- **New Common Classification System**—Another approach would be to adopt a single classification system and associated numbering system that all countries and all statistical agencies would use. This approach is deemed to be infeasible because of its cost, significant differences in the underlying conceptual foundations of existing classification systems, and the time it would take to negotiate and implement.

The ECPC is soliciting public comment on several issues related to comparability of international statistical data:

1. The need for greater comparability of international data;
2. The preferred approach for improving comparability—concordance, limited changes in NAICS, or a new common classification system;

3. The advisability of making changes to NAICS in order to obtain greater comparability with NACE and ISIC and the relative amount of change that would be supported in order to align with a new international standard based on the principles of NAICS; and

4. The usefulness of the scenario discussed in Appendix I. Responses to this query will be used in formulating future recommendations for changes to ISIC.

Part V. Proposals To Identify New and Emerging Industries for NAICS 2007

The ECPC is soliciting proposals for changes to NAICS United States to account for new and emerging industries. Proposals will be collected, reviewed, and analyzed. As necessary, proposals for change will be negotiated with our partners in Canada and Mexico. When this process is complete, OMB will publish a **Federal Register** notice that presents the ECPC recommendations for additional public comment prior to a final determination of changes to NAICS for 2007.

Proposals for new industries will be evaluated using a variety of criteria. As previously mentioned, all proposals will be evaluated based on the application of the production function, their impact on comparability with North America and others, and their effect on time series. For any proposals that cross three-country levels of agreement, negotiations with Canada and Mexico, our partners in NAICS, will also affect the recommendations for those proposals. In addition, other criteria may influence recommendations for adoption. From a practical standpoint, industries must be of appropriate size. At the national level, this is generally not a major concern but there are a variety of statistical programs that produce industry data at the regional, State, MSA, or even county or local level. Proposed industries must include a sufficient number of establishments so that Federal agencies can publish industry data without disclosing information about the operations of individual firms. The ability of government agencies to classify, collect, and publish data on the proposed basis will be taken into account. Proposed changes must be such that they can be applied by agencies within their normal processing operations. Any recommendations for change forwarded by the ECPC for consideration will also take into account the cost of making the changes. These costs can be considerable and the availability of funding to make changes is a critical consideration.

Proposals for new or revised industries should be consistent with the production-oriented conceptual framework incorporated into the principles of NAICS. When formulating proposals, please note that an industry classification system groups the economic activities of producing units, which means that the activities of similar producing units cannot be separated in the industry classification system. Proposals for changes to NAICS industry classifications must be in writing and include the following information:

- (a) Specific detail about the economic activities to be covered by the proposed industry, especially its production processes, specialized labor skills, and any unique materials used. This detail should demonstrate that the proposal groups establishments that have similar production processes that are unique and clearly separable from the production processes of other industries.

- (b) Specific indication of the relationship of the proposed industry to existing NAICS United States six-digit industries.

- (c) Documentation of the size and importance of the proposed industry in the United States.

- (d) Information about the proposed industry in Canada and Mexico, if available.

The ECPC is soliciting proposals for specific new and emerging industries for consideration during a potential revision to NAICS for 2007 that conform to the NAICS principles and provide the supporting information listed above.

Part VI. Changes To Account for Errors and Omissions in NAICS 2002

No significant errors or omissions have been identified in NAICS 2002. Any errors or omissions that are identified in the future will be corrected and posted on the official NAICS Web site at <http://www.census.gov/naics>.

Appendix I. A Possible Scenario for Greater Comparability of Industrial Statistics

A working group with representation from Eurostat, INEGI, Statistics Canada, the United Nations Statistics Division, and the United States has generated an illustrative scenario of one way to bridge the differences between NAICS and ISIC, the international standard of the United Nations. This scenario provides differing levels of comparability based on the perceived need for comparable data for analytical purposes. The hypothetical scenario incorporates approximately 94 aggregate categories and 290 comparable

groupings at the most detailed level.

The structure below is a summary of the scenario structure compared to NAICS.

| NAICS | Scenario |
|--|--|
| 11 Agriculture, Forestry, Fishing and Hunting | A. Agriculture, Forestry, Fishing, and Hunting. |
| 21 Mining | B. Mining. |
| 22 Utilities | C. Utilities. |
| 23 Construction | D. Construction. |
| 31-33 Manufacturing | E-F. Manufacturing. |
| 42 Wholesale Trade | G. Wholesale and Retail Trade. |
| 44-45 Retail Trade | |
| 48-49 Transportation and Warehousing | H. Transportation and Storage. |
| 51 Information | I. Information. |
| 52 Finance and Insurance | K. Finance and Insurance. |
| 53 Real Estate and Rental and Leasing | L. Real Estate and Rental and Leasing. |
| 54 Professional, Scientific and Technical Services | M. Professional, Scientific and Technical Services, (including management of companies and enterprises). |
| 55 Management of Companies and Enterprises. | |
| 56 Administrative and Support and Waste Management and Remediation Services. | N. Administrative and Support Services. |
| 61 Educational Services | R. Sanitation. |
| 62 Health Care and Social Assistance | O. Education. |
| 71 Arts, Entertainment, and Recreation | P. Health and Social Services. |
| 72 Accommodation and Food Services | Q. Arts, Entertainment, and Recreation. |
| 81 Other Services (except Public Administration) | J. Hotels and Restaurants. |
| | S. Repair and Maintenance |
| | T. Other Services. |
| 92 Public Administration | U. Public Administration |
| | V. Extra-territorial Organizations and Bodies |
| | W. Private Households with Employed Persons. |

The main concepts of NAICS, including the production function orientation, formed the basis for the hypothetical scenario. A number of these concepts, as reflected in the scenario, will represent considerable disruption for ISIC and NACE but do not affect NAICS. For example, the repair and maintenance of all manufactured goods (except personal and household goods) is currently included in manufacturing for ISIC and NACE but is already a separate sector in NAICS. The scenario includes a separate aggregation for repair and maintenance facilities that would potentially pull from all manufacturing industries in NACE and ISIC. In addition, the repair and maintenance of personal and household goods is currently included in the trade area of both ISIC and NACE. That would also have to be separately identified or moved to a new category under the scenario presented above. A similar situation exists for installation of machinery, generally in construction in the scenario but in manufacturing for ISIC and NACE.

Under the scenario, ISIC and NACE would adopt the NAICS treatment of the

Information sector. This would cause disruption to their services and manufacturing sectors (as was the case when NAICS was implemented in the United States.) Additionally, ISIC and NACE do not currently distinguish between electrical and electronic goods. One of the hallmarks of NAICS was an aggregation for "high tech" manufacturing which includes computers, electronic components, technical instrumentation, and similar manufacturing. The scenario presented by the working group retains this concept.

The scenario also contains groupings for mining support services and educational support services. These groupings do not currently exist in ISIC or NACE. ISIC and NACE would also face considerable disruption in creating a grouping for scenic and sightseeing transportation that is currently dispersed by mode of transportation.

On the NAICS side, there are a smaller number of concepts that would have to be modified or adopted. The most significant would be the creation of a cargo handling grouping that is not dependent on the mode of transportation. Currently, NAICS

separates cargo handling by the mode of transportation served. This change would acknowledge that large portions of cargo handling activities are actually multi-modal.

One potential result of this study is the adoption of a new ISIC structure based on the scenario and the concepts of NAICS. NACE is derived from ISIC and represents a more detailed breakdown of the ISIC structure. This summary of the hypothetical scenario and its impacts is based on the concept of the international standard (ISIC) changing and the impact on North America and Europe that would be necessary to provide data comparable to the new structure of ISIC.

Impacts of the Hypothetical Scenario on the Existing Classifications Used in the United States and Europe

There are 1179 industries in NAICS United States 2002. Of these detailed industries, the hypothetical scenario would require 45 to split (4 percent). Each affected NAICS sector is listed followed by the number of 6-digit industries in that sector. These splits are distributed as follows:

| | |
|---|------------------------------|
| Sector 11, Agriculture, Forestry, Fishing and Hunting | 4 (of 64) industry splits. |
| Sector 21, Mining | 3 (of 29) industry splits. |
| Sector 22, Utilities | 1 (of 10) industry split. |
| Sector 31-33, Manufacturing | 25 (of 473) industry splits. |
| Sector 42, Wholesale Trade | 1 (of 71) industry split. |
| Sector 48-49, Transportation and Warehousing | 4 (of 57) industry splits. |
| Sector 54, Professional, Scientific, and Technical Services | 2 (of 47) industry splits. |

| | |
|---|-------------------------------|
| Sector 56, Administrative and Support and Waste Management and Remediation Services | 1 (of 43) industry split. |
| Sector 81, Other Services (except Public Administration) | 1 (of 49) industry split. |
| Sector 92, Public Administration | 2 (of 29) industry splits. |
| Total U.S. industry splits | 45 (of 1179) industry splits. |

Resolution of these splits could involve the identification of new separate industries or moving part of one industry to another industry. The ECPC prefers the approach of identifying separate industries if at all possible within the constraints on industry definition that exist in NAICS. Industry classifications must cover the universe of economic activities. Splits in the list above may be technical splits that would have little or no impact on NAICS time series if moved. For example, the split of an industry for manufacturing electric trackless trolley buses is not anticipated to affect any NAICS industries because no evidence has been found that this activity actually takes place in the United States. Similarly, a split for the production of town gas would not affect NAICS United States because that activity, while occurring in other parts of the world, is no longer significant in the US, if it exists at all. These, as well as more significant splits, are included in the 45 splits listed above.

It is important to note that major concepts in NAICS and major accomplishments in the identification of service industries are largely untouched by this scenario. There are no changes in Sector 51, Information; there are two splits in Sector 54, Professional, Scientific, and Technical Services (one marginal, one that could create two new industries minimizing its impact). Of the 45 industries that would need to be split under this scenario, over half are "other" or "all other" industries. There are several cases where the industry splits are of sufficient size to consider creation of new industries for the parts rather than combining the parts with existing industries and disrupting additional industries. In the balance of the cases, there is either a strong production function justification for the move or the industry did not conform to the production function criteria used in

NAICS. Changes were considered based on the production function during the initial development of NAICS but existing industries with no request for change were not completely recast, particularly in the manufacturing sector. In summary, the 45 split industry portions represent various levels of significance. Many of the significant changes could represent new industries, thereby minimizing implementation effects; smaller changes would need to be added to existing industries in NAICS, thereby increasing the number of detailed industries with content changes and potential time series breaks.

There are a number of sectors in NAICS United States that have no split industries under the hypothetical scenario. These include Sector 23, Construction; Sector 44-45, Retail Trade; Sector 51, Information; Sector 52, Finance and Insurance; Sector 53, Real Estate and Rental and Leasing; Sector 55, Management of Companies and Enterprises; Sector 61, Education; Sector 62, Health Care and Social Assistance; Sector 71, Arts, Entertainment, and Recreation; and Sector 72, Accommodation and Food Services.

If the detailed changes were implemented as described in the scenario by all parties, each would be able to maintain its own nomenclature and coding structure but aggregate to a common standard using predetermined industry relationships. Comparable building blocks would allow automated regrouping or aggregation of NAICS U.S. data to a common international standard. The key to this type of conversion is the comparability of the building blocks. The scenario developed by the working group is one possible way to align the content of the building blocks. This scenario represents a minor adjustment to industry details for NAICS United States.

If there were a desire to make only those changes necessary for

comparability at the aggregated structure level shown in the summary above, approximately 10 industries would be split across existing NAICS sectors. These splits may or may not be of appropriate size to create separate industries. In cases where they are not of sufficient size or specialization, the split portion would need to move from one sector to another and be combined with an existing industry in the target sector. The remaining 35 split industries identified in the scenario would require resolution within an existing NAICS sector. Examples of cross sector changes included in the scenario are:

- Integrated growing of grapes and production of wine would move from manufacturing to agriculture;
- Long distance water pipelines with no treatment activity would move from utilities to transportation;
- Factory fish processing ships that also fish (rather than serve as collection points for a fleet of related fishing vessels) would move from manufacturing to fishing;
- Ship hold cleaning services would move from transportation to administrative and support services; and
- Automobile emission and safety inspection services would move from repair and maintenance to professional services.

The examples above are not exhaustive, but they are reflective of the type and significance of changes required under the scenario. A full list of the 45 industries that would require content splits under this scenario is available for review at: <http://www.census.gov/epcd/naics/internetworkgrp>.

There are 503 industries in NACE Rev 1. Of these detailed industries, the hypothetical scenario would require 246 to split (49 percent). These splits are distributed as follows:

| | |
|--|-------------------------------|
| Section A, Agriculture, hunting and forestry | 7 (of 14) industry splits. |
| Section B, Fishing | 2 (of 2) industry splits. |
| Section C, Mining and quarrying | 14 (of 16) industry splits. |
| Section D, Manufacturing | 143 (of 241) industry splits. |
| Section E, Electricity, gas and water supply | 1 (of 4) industry split. |
| Section F, Construction | 7 (of 17) industry splits. |
| Section G, Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods. | 9 (of 77) industry splits. |
| Section H, Hotels and restaurants | 1 (of 9) industry split. |
| Section I, Transport, storage and communication | 11 (of 21) industry splits. |
| Section J, Financial intermediation | 8 (of 12) industry splits. |

| | |
|--|-----------------------------|
| Section K, Real estate, renting, and business activities | 16 (Of 37) industry splits. |
| Section L, Public administration and defense; compulsory social security | 7 (of 10) industry splits. |
| Section M, Education | 1 (of 6) industry split. |
| Section N, Health and social work | 4 (of 7) industry splits. |
| Section O, Other community, social and personal service activities | 15 (of 28) industry splits. |
| Total European NACE splits | 246 industry splits. |

Only 10 of the 20 NAICS sectors include split industries while all sections of NACE (except private households and extraterritorial organizations and bodies) contain splits.

A detailed listing of this scenario is available for review at: <http://www.census.gov/epcd/naics/>

internatworkgrp. It is important to note that this is one view of how comparability could be increased, but it does not represent the only option that could be considered during future revisions of NAICS in the United States. In addition to the detailed hypothetical scenario, the web page contains the

detailed reports of the working group and other related documentation for review.

John D. Graham,
Administrator, Office of Information and Regulatory Affairs.
 [FR Doc. 02-32663 Filed 12-26-02; 8:45 am]
BILLING CODE 3110-01-P