

NAPCS Discussion Paper*

**Overview of NAPCS Objectives, Guidance, and Implementation
Strategy and Goals: A United States Perspective**

**Discussion Paper
for**

**Trilateral Steering Group Meeting
Washington, DC
May 5-9, 2003**

**Prepared by
Economic Classification Policy Committee of the United States
April 2003**

*** NAPCS Discussion Papers are provided to foster and facilitate professional exchange on matters related to the development and implementation of NAPCS.**

This document represents the current U.S. ECPC position on the update, expansion, and statement of proposed guidelines that has evolved over the past several years beginning with the Three-Country Statement of Principles for the North American Product Classification System, adopted May 4, 1999.

April 15, 2003

Overview of NAPCS Objectives, Guidance, and Implementation Strategy and Goals: A United States Perspective

A. Broad Objectives

- NAPCS will identify, define, and classify the final outputs (outputs regardless of their designation as intermediate or final demand) produced and transacted (sold, transferred, or placed in inventory) by the reporting units within each industry.
- NAPCS will develop a demand-based, hierarchical aggregation system, in which products are grouped according to how they are principally used and according to how they are used in relationship to each other in satisfying that principal use.
- NAPCS will develop and maintain a comprehensive list of all products produced in the economies of the NAPCS partners.
- NAPCS will facilitate and improve collection of product-oriented economic information from the NAICS-classified, business-reporting units.
- NAPCS will harmonize product-oriented data categories recognized in the comprehensive economic censuses with other business output, expenditures, and price surveys conducted within Canada, Mexico, and the United States and across the domain of the NAPCS partnership.
- NAPCS will develop and maintain concordances between NAPCS and both NAICS and the CPC.

B. Additional Technical Guidance for Identifying and Defining Detailed Products

- NAPCS products will be recognizable and useful to businesses.
- To define output, NAPCS adheres to the gross margin or the gross output conventions used in the SNA. The product is what is produced for sale; it is generally not the selling of the product. Only when the product is reselling (the primary product of both wholesale and retail trade establishments) does the product produced by the establishment equate to selling, the value of which is measured as a trade margin.
- Products must be outputs that can be identified, measured, and priced; therefore, product detail will be developed taking into account the marketing and record keeping practices of firms in the industry.

C. Additional Technical Guidance for NAPCS Structure for Classifying Products

- The most detailed aggregations in NAPCS will generally be aggregations of products that are close substitutes for one another (e.g., pork and beef). The higher-level categories will generally be aggregations of product groups (lower-level categories) that are either more distant substitutes or complements of one another (e.g., meat and vegetables, or clothing and shoes).
- Related goods and services will map into the same higher-level aggregates in the NAPCS classification.
- A common sense approach to development of a well-articulated classification system will be used to meet the stated NAPCS objectives. Classification titles should be readily understandable to the majority of expected NAPCS users.
- The NAPCS structure should address and consider the needs of national accounts and other statistical programs when developing the various levels of aggregation.
- Since the NAPCS classification system will not be industry-of-origin based, mid-level aggregations will serve as the product bridge between supply-based (NAICS) and demand-based (NAPCS) classification schemes.
- One or more aggregation structures are possible and could be deemed publishable in the official NAPCS Manual.

D. Implementation Strategy and Goals

- The implementation of NAPCS will be a phased process.
- NAPCS classification categories should first serve the data collection needs of surveys that collect information on the output, consumption, and pricing of products in a business environment.
- NAPCS should next be implemented in the programs that synthesize business oriented product related reports from various sources.
- NAPCS should next serve the needs of personal or household surveys concerning the purchase, consumption and pricing of products defined in NAPCS.
- NAPCS products and aggregations should serve the needs of special market studies not otherwise served by the needs of statistical programs.