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**APPLICATION OF THE PROVISIONAL CPC  
BY THE  
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## APPLICATION OF THE PROVISIONAL CPC

### INTRODUCTION

1. The ABS objective is to eliminate duplication of effort and improve the reliability of commodity level data across all collections.
2. To achieve this, the ABS seeks to put in place a system of commodity level classifications covering production, consumption, external trade and other related areas which would benefit from being aligned more closely.
3. Although some progress towards this overall objective has been made over a number of years, the lack of a suitable international classification covering services as well as goods has been a factor in the relatively slow progress made. In addition, the ABS has lacked a comprehensive strategy for achieving greater reliability across the range of commodity level data. Past work has focused almost entirely on trade and production data.
4. By applying the CPC as a unifying framework it is hoped that a greater degree of local and international comparability can be achieved across a wide range of commodity level data.

### STRATEGY FOR THE AUSTRALIAN STANDARD COMMODITY CLASSIFICATION (ASCC)

5. The present ASCC was released as an interim classification in 1989 pending the review of Australia's standard industrial classification, the further consideration of long term objectives and strategies and, a better understanding of the likely impact of the HS review programme.
6. Although at this time there is continuing discussion on these issues and the strategies to be adopted for future editions of the ASCC, it is likely that the following objectives will prevail.
  - . The next release of the ASCC is to be developed to cover (primarily) the **production of all goods and services**. All production, sales and transfers from producing units are to be covered.
  - . The code system of the ASCC will be based on the CPC, contracted or extended as appropriate.
  - . Other ABS 'commodity' items will be concurred to the ASCC and the degree of alignment improved where possible and appropriate. In reviewing classifications, the ABS will seek to eliminate unnecessary classifications and harmonise those remaining to the extent that this is practical and feasible.

### Guidelines pertaining to the ASCC

7. The CPC will be examined and modified where it does not reflect the producing patterns of the Australian Economy.

Across all segments of the ASCC there will be an *in principle* minimum standard of alignment with the CPC at the 3 digit level. Any departures will be for strongly justified reasons only.

#### **Transportable Goods:**

8. The key areas are agriculture, mining and manufacturing. In these areas more detail will at times be required than that provided by the CPC.

9. The 'model' to be used, wherever practicable, is to dissect the finest level of the CPC into SITC and HS categories where needed to satisfy known user requirements. There is a 1:1 or 1:m relationship between CPC and SITC categories and between SITC and HS categories.

10. At these lower levels it will frequently be necessary to depart from the precise model outlined above to address overriding user and other survey realities (eg data supply, confidentiality, etc). Some compromises will be required. Nevertheless this approach should maximize alignment with the international classifications and with other data, eg. trade.

#### **Non-Transportable Goods and Services:**

11. These are areas not covered by the current ASCC. They represent an increasing area of interest as this sector of the Australian and International economies grows relative to the goods producing sectors. The CPC is the only international classification covering production of these commodities but is presently provisional in respect of these parts of the classification and will not be automatically followed, particularly at the lower levels.

12. Coverage of these segments by ABS collections is less than complete and will probably be so for years to come. The approach to be adopted is to develop these areas as they are progressively covered by ABS collections. The remainder of the ASCC will use the CPC categories until such time as collections are developed for these sectors.

#### **EVALUATION OF THE CPC**

13. During the past year the ABS has sought to determine the degree to which the CPC can be applied generally to the various commodity level collections. As a result, the 3-digit level of the CPC is to be applied as a minimum standard. Existing data items were assumed to be fairly representative of both user interest and general information availability for the purpose of the evaluation.

#### **PRODUCTION**

##### **Agriculture, mining and manufacturing**

14. Detailed analysis of these areas has only recently commenced as the effects of the revision of the Australian Standard Industrial Classification (ASIC) need to be taken into account. The new industrial classification has been

jointly completed with the New Zealand Department of Statistics and is to be known as the Australian and New Zealand Standard Industrial Classification (ANZSIC). Though generally based on ISIC REV 3, some deviations have been necessary to cater for Australian and New Zealand requirements.

15. At this stage it would appear that the vast majority of existing production, sales and transfers items will fit within the 3-digit CPC and quite a number of these will match at lower levels. A proportion of items (in the order of 10-20 percent) will need to be recast to fit within the 3-digit CPC.

16. The difficulty of implementing CPC at its 5-digit level relates to the relative significance of some of the items in the Australian context and to the very significant problem of maintaining data confidentiality. A number of areas of the manufacturing sector are represented by few establishments or are affected by one or two very large establishments. Because of this, comparisons with trade data can frequently only be made at aggregate levels.

### Construction

17. The present set of ABS items covering construction activity are derived from the draft International Classification of All Goods and Services (ICGS) 1976.

18. In our evaluating of the CPC, the following comments are noted:

- . CPC items for construction work related to electricity and telecommunications seem to be combined heterogeneously with other types of construction work.

ABS engineering construction surveys collect data on construction work for electricity generation, transmission and distribution under one item. This item covers construction work for electricity generation, transmission and distribution including power stations, substations and associated work (ie towers, chimneys, transmission and distribution lines). This item would be distributed in the CPC across five items in combination with other components (51360p, 51340p, 51350p, 51550p and 51649p).

Construction work for telecommunications is also collected under a single item covering, radio, television, microwave, radar, transmitting towers, telephone, telegraph lines and underground and coaxial cables. This item is distributed in the CPC across four items in combination with other components (51340p, 51350p, 51644p and 51649p).

- . ABS would prefer to see a separate item for pipelines rather than it being combined with power lines and cables, etc. The only attribute common to these constructions would appear to be their length. CPC classifies pipelines into long distance (non-urban) and short distance (urban) whilst ABS surveys do not make

these distinctions. Most pipeline contractors are involved in both long and short distance projects.

landscaping is not covered under section 5 of the CPC whereas there is an observable close association of landscaping and construction activity in Australia. This is reflected in the ANZSIC.

## **Wholesale and retail trade**

### **Wholesale**

19. The first comprehensive wholesale collection was for 1968-69 and the second for 1981-82. A small scale supplementary survey was conducted for 1986-87 by National Accounts Branch for use in input-output studies. ABS now plans to conduct another full wholesale collection within the next year.

20. Comparison with the CPC is therefore based on 81-82 items.

21. At the 3-digit level, the CPC makes a distinction between the services provided by commissioned agents (wholesale trading on behalf of others), and the services provided by wholesalers on their own account. From the item descriptors it is unclear whether the scope of the CPC items for commissioned agent sales cover transactions for goods and services or only the service of facilitating the sale. The explanatory notes do not clarify the position sufficiently and need to be elaborated further.

22. In the case of the own account wholesaler, there is a single transaction between the owner of the goods (the wholesaler) and the buyer. In the case of the agent, there is a transaction between the owner and the commissioned agent for services rendered, and a transaction between owner and buyer which is facilitated by the agent.

23. The ANZSIC treatment of commissioned agents mainly engaged in wholesale trading is the same as for own account wholesalers. Both are included in the same ANZSIC class. Specialisation and coverage considerations prevent the formation of a separate class for commissioned agents.

24. The collection of data relating to commissioned agents' sales varies. The treatment to be adopted for the forthcoming wholesale collection is yet to be discussed. Generally though commission received is currently collected only as a total figure from the reporting business and is broken into components only if it is large enough to potentially affect industry coding. This would be undertaken clerically as required. The breakdown sought of the commission earnings would be along the lines of ANZSIC classes in the wholesale subdivision.

## **Retail**

25. A retail collection is to be undertaken in respect of 1991-92. Commodity items to be collected are quite broad but fit within the 3-digit CPC.

26. The main considerations affecting 1991-92 retail items relate to comparability with 1985-86 retail items, requirements for objective industry coding to ANZSIC and, data availability.

27. Unfortunately, detailed commodity data is not readily available from all Australian retailers. Whilst there are a significant number of retail stores with checkout scanning equipment, investigations into the use of the Australian Product Numbering system for data collection has not yet progressed to the point where practical use can be made of this system. Most businesses do not retain this level of data for more than a short period of time and the product numbering system presently lacks a concordance that would facilitate aggregations according to ABS requirements. In addition, it is estimated that approximately 50% of retail stores still use manual cash registers. These manual systems limit the degree to which these retailers keep sales records by type of product.

28. Most CPC items relating to food products need to be split to provide distinctions between unprepared grocery items and products served by take-away/fast food outlets (which are identified in ANZSIC as a separate retail class). In particular, items such as **63101 Meat and meat products**, **63102 Dairy products and eggs**, and **63104 Fish and other seafood and products thereof** are affected. There would possibly be a case for recommending that the CPC separately identify services for the retailing of prepared, ready to eat, take-away foods on the basis that such services are common to the majority of countries and overlap with a number of the categories for unprepared foods retailing.

29. At the 4- and 5-digit level of the CPC the only equivalent ABS items are for:

**63105 Bread and flour confectionery** (renamed to Bread, cakes and pastries),

**6321 Pharmaceutical and medical goods and cosmetics** (renamed to Pharmaceuticals, cosmetics and toiletries),

**63222 Articles of clothing, articles of fur and clothing accessories** (renamed to Clothing and accessories),

**63232 Household appliances** (renamed Domestic appliances), and

**63233 Miscellaneous household utensils, cutlery, crockery, glassware, china and pottery** (renamed to Houseware).

30. In general, the remaining fine level CPC items have been split into ANZSIC based components and recombined into a set of items which fall within the 3-digit level of the CPC.

## **Other service industries**

31. ABS is to conduct surveys of the following industries, in respect of 1991-92:

- Motor vehicle hire
- Cafes and restaurants
- Pubs, taverns and bars
- Accommodation
- Licensed golf clubs
- Licensed bowling clubs
- Other licensed clubs
- Casinos
- Amusement and theme parks

### **. 641 - Hotel and other lodging services**

32. The finer level distinctions presented in the CPC are distinctions made according to the type of provider, for example, distinguishing between hotel lodging services, motel lodging services, children's holiday camps, etc. These categories will vary enormously between countries, and in our recent experience, are quite difficult to define. In ABS surveys, these provider type distinctions are to be made at the reporting unit level (and therefore at sub-ANZSIC level) rather than at the commodity level. This will have the effect not only of gathering commodity information at this level but also of gathering the full range of economic information at the same level for this range of establishments.

33. The reporting unit distinctions (ie between hotels, motels, guest houses, serviced apartments, etc) are planned to be made on the basis of an objective assessment of the different facilities and services provided by establishments, which can then be linked to the ABS Standard Classification of Visitor Accommodation (now under development). Consequently, the accommodation commodity details collected in the ABS Service Industries Surveys will be linked to the CPC at the 3-digit level only.

34. As the categories of accommodation provided and similarly the definitions of the various types, vary so much from one country to another, it is suggested that the 4- and 5-digit level dissections in the CPC may not be viable.

### **. 642 Food serving services.**

35. Concordance with the CPC can be achieved at the 3-digit level. In Australia there was insufficient demand from users to support a more detailed dissection of the 3-digit CPC level and considerable difficulties were also found in defining the four separate categories at present in the CPC. For example, "full restaurant service" and "self-service" are not always distinguishable. There is also an issue in differentiating between 642 Food serving services and 631 Food retailing services.

**. 643 Beverages serving services for consumption on the premises.**

36. The distinction between beverages served with or without entertainment does not appear to be a viable dissection of the 3-digit CPC item. On the basis of recent ABS form testing activities, it appears to be feasible to collect details of entertainment provided in aggregate and of beverages in aggregate (from bars, taverns and similar establishments). Where establishments either provide no entertainment or provide entertainment all the time they are selling beverages, the CPC dissection obviously could be applied. But in the more common situation where entertainment is not provided all the time beverages are being sold, these establishments do not have sufficient records available to distinguish whether beverages were sold when the entertainment was provided or not. We have also assumed that the intention here in 643 is to mainly refer to alcoholic beverages, so that for example, coffee sold by a coffee shop (or a restaurant) or soft drinks sold by a cafe are assumed to be included in 642 Food serving services, while such beverages sold by a tavern would be included in 643.

**. 831 Leasing and rental services without operator.**

37. The title of CPC item 83101 would be more appropriate if changed from 'private cars without drivers', to 'passenger transport vehicles without drivers'. This would be consistent with our form testing findings wherein small buses, station wagons and similar recreational vehicles are also rented. The revised title would be consistent with item 83102 which relates to 'goods transport vehicles without drivers.' Alternatively, the use of 'private' in 83101 should be clarified to avoid it meaning just private use cars, and 83105 should then be clarified as including other passenger transport vehicles (except cars).

**STOCKS (ACCUMULATION)**

38. Detailed commodity level data on stocks is not generally collected by the ABS. Some exception to this occurs for agricultural produce in support of the production of apparent domestic consumption statistics for foodstuffs.

**CONSUMPTION**

39. The main focus presently is on the collection of Household Expenditure data and in achieving maximum alignment of this data with retail data.

40. The ABS Household Expenditure Commodity Code List (HESCCCL) is based on the Classification of Household Goods and Services of the SNA. The aggregations inherent in this classification are often markedly different to the CPC. An example is the CHGS treatment of expenditure on transportation. This item covers a broad range of industry providers and its components would be spread across a wide section of the CPC. In addition, Norway (in its draft paper on the CHGS prepared for a 5 July 1991 meeting of national



accounts experts in Paris) makes the comment that many CPC items cover products which would not be consumed by households in addition to some which would.

41. Whilst the ABS should be able to achieve a high degree of correlation between HESCCL and retail items (with the exception of only some items), it nevertheless recognises that there are, in particular, strong output reasons for wishing to maintain a separate HESCCL. A concordance between the existing HESCCL and the retail section of the ASCC has been established.

## **TRADE**

### ***Merchandise trade***

42. Trade statistics for goods are as yet unaffected by the ABS use of the CPC. It is not yet known whether there will be a need to tabulate trade statistics according to the CPC in addition to the current HS/SITC output. However the existing relationship between trade and production classifications would suggest that this need does not exist at present.

43. In terms of being able to relate trade and production data at various hierarchic levels of the CPC, generally it would not be possible to make data comparisons with any consistency. This is because of gaps in the coverage of production data and on account of the many to many relationships that exist between production items and the SITC or HS. In the current ASCC there are presently 146 out of 261 SITC 3-digit headings affected by the existence of gaps or data being in dump items. The picture is further blurred on account of a proportion of manufacturing census items being quantity only (ie no value is collected).

### ***Services trade***

44. Trade in services is to be treated as an evolving area which is being influenced principally by international developments pertaining to balance of payments and GATT. Correlation of these statistics with the broad level of the CPC is a feature of the trade in services classification.

45. Of the 34 trade in service commodities published by the ABS for 1989-90, 21 can be matched at the 3- or 4-digit level, 11 can be matched at the 2-digit level and 2 cannot be readily identified in the CPC. The latter 2 cases are for 'professional services nei' and 'merchanting services'.

## **MATERIALS USED**

46. The Classification of Materials Used in Manufacturing exists mainly to support Input-Output work. A price index of materials used in manufacturing is also produced. In 1989-90 the classification was harmonised with the production items of the interim ASCC. The classification is to be modified to harmonise with the extended CPC-based ASCC when this is produced.

47. Materials used in building is a similar area of interest. The ABS produces a price index of building materials. The classification of building materials has not yet been subject to standardisation or harmonisation with the ASCC.

48. There would be a good case for amalgamating the above two classifications and extending their coverage to services when the extended edition of the ASCC is developed. The proposal would be consistent with input-output data needs.

#### **TOURISM**

49. The ABS is developing a Framework for Tourism Statistics. Part of this framework is a Standard Classification of Visitor Accommodation. Relevant parts of the CPC were evaluated during the development of this classification. The ABS classification covers non-commercial and private visitor accommodation in addition to commercial accommodation types.

#### **ENVIRONMENT**

50. The data needs applicable to environment statistics are to be elaborated and taken into account in reviewing commodity level classifications. To date there has been little development beyond identifying the extent of such items in the various existing collections.

#### **CONCLUDING REMARKS**

51. Over the course of the next year the ABS will complete the construction of concordances between the various current ABS classifications and with the CPC. We will then be looking to make further improvements in data reliability, particularly at the finest levels.

52. The ABS would be pleased to provide updates on its progress towards these goals and would welcome any comments.