

# **CPA DOCUMENTATION**

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# **CPA Documentation**

## ***Abstract***

*The Classification of Products by Activity (CPA) is the European version of the Provisional Central Product Classification (CPC). Compared to the CPC the CPA is structured according to the European activity classification NACE Rev. 1, it is more detailed and in some areas CPA deviates from the basic elements of the CPC.*

*In addition to the usual descriptions of classification systems (introduction, methodological papers, explanatory notes, etc.) Eurostat plans to elaborate a CPA Documentation which will explain the details and the reasoning of the individual deviations from CPC. Furthermore, it is intended to include in this documentation all the proposals regarding the future development of the CPA and to summarize the discussions on conceptual issues of product classifications. This is done with a view to the further development of the CPA and may also be of help for the forthcoming revision of the CPC.*

## **I. Introduction**

1. Last year the Statistical Office of the European Communities finalized together with its Member States the "Classification of Products by Activity" (CPA). This product classification is the European version of the "Provisional Central Product Classification" (CPC). Compared to the CPC the CPA is structured according to the European activity classification NACE Rev. 1, it is more detailed than the CPC and in some areas CPA deviates from the basic elements of the CPC. There are of course many reasons why CPA has not taken over certain elements from the CPC. However, in most cases the main reason was that those elements of the CPC or the structure offered by the CPC did not seem useful or applicable under survey circumstances or from the European point of view.

2. In elaborating CPA Eurostat could not only base its work on the CPC as such but could also consider already existing experience in applying CPC. Such experience was incorporated in the CPA whenever possible.

3. In delineating the structure of CPA not only questions concerning the character and definition of individual elements emerged, but also quite basic questions, such as the linkage between activities and products, the character and measurement of products, and similar other ones. In some cases the solution taken for the CPA may be seen as an achievement over the concept used in the CPC. However, this is not the case in general and there are some areas where the discussion still has to proceed or where there are yet no solutions at all. It may not be astonishing to find such kinds of problems predominantly in the services' area. However, it should not be forgotten that there are also certain services classified in the manufacturing part of the CPA which should not be excluded from the list of problems.

4. It is, however, not the intention of this short contribution to discuss all the above mentioned problems, but to outline a documentation on CPA which will treat with them in detail. The main objective of this documentation is to summarize all the single aspects where CPA deviates from the CPC, to document those elements where future discussion seems valuable and necessary, to give reference to proposals and comments already existing either referring to CPC or CPA, either from within the EC or outside (e.g. Voorburg Group), etc. This documentation will be an additional instrument for understanding the basic structure of the CPA and should thus be of help for the future revision of the CPA as well as of the CPC.

5. This documentation is ongoing work and should be finished within the next few months. Having finalized the documentation it is up to Eurostat to give appropriate access to it, either on paper or on electronic media. This project is financed as part of the EC-EFTA statistical cooperation within the European Economic Area by the EFTA. It is a follow-up of the authors' detachment as a EFTA national expert to Eurostat (November 1991 - February 1993).

6. The paper is organized into two parts: following the introduction Chapter II introduces the intended structure and the content of the documentation. Some examples are given in the Annex. Any comments and proposals on the content or the structure of the documentation from the experts of the Voorburg Group are very welcome.

## **II. Purpose, structure and content of the CPA documentation**

7. It should be part of every methodological work to document in detail what has been done in order to allow the user or reader to understand and to critically assess the work done. In the case of the CPA already some documentation work has been performed: an introduction to the CPA outlining the principles and methods used in elaborating the classification has been written as well as explanatory notes of those elements of the CPA that are not defined by referring to the HS. However, from a methodological point of view this may not be seen as sufficient because of at least two reasons: firstly, CPA claims to be the European version of CPC, but as known CPA deviates from the CPC in some areas and elements. These deviations have to be argued. Secondly, in the services' area there is still not very much experience concerning product classifications so that neither the CPC nor the CPA could demand to have the better solution for a given classification problem. It is thus also seen as a task of the CPA documentation to summarize the discussion on certain basic concepts and on individual elements.

8. The purpose of the CPA documentation is thus twofold:

- To document where CPA deviates from the CPC. This may be seen as the main purpose of a documentation on the CPA. All kinds of deviations will be referred to that are incorporated in the 1992 version of the CPA.
- To document the discussions and proposals regarding further development and revision of central product classifications. This part will include all proposals regarding a revision of CPA, but also all proposals regarding a revision of the

CPC (of course, as far as known to the author and Eurostat). This part will thus concentrate on revision topics which are neither incorporated in the 1992 version of the CPA nor in the 1991 version of the CPC. Of course, this part is open end and has to be updated regularly.

9. Both parts of the documentation are interrelated as regards the classification elements concerned and because of this interrelations the two parts will not be separated physically. The documentation will be structured along the coding of the CPA and CPC, respectively. It goes without saying that the CPA documentation will consider both the goods and the services.

10. The genuine part of the CPA documentation refers to deviations from the CPC. It should be stressed that the term "deviation" is used here in a broad sense. In principle, all points are to be assembled here, where CPA does not use a CPC element as such or how it is classified, or where a concept different from that of the CPC was applied in the CPA. Deviations from CPC should not necessarily be viewed as errors of the CPC.

11. As already mentioned, CPA distinguishes about 500 products more than CPC does. This greater level of detail was achieved by subdividing many of the CPC sub-classes. However, also items of the class and group level had to be subdivided in order to fit into the given activity classification structure of NACE Rev. 1. In general, such subdivisions are not viewed as a deviation. However, in some cases such subdivisions will be included in the documentation as they may be of interest also outside the European area. Such cases predominantly concern the sub-class level but also the class level as in the services' part of the CPC the class level quite often coincides with the group level.

12. The kinds of deviation can be categorized as follows:

a.) CPC items not taken over in the CPA

The cases to be assembled here can again be subdivided into three types:

- CPC items not taken over in the CPA because these items cannot be viewed as products. This is the case for all the items classified in divisions 52 (Constructions), 53 (Land) and 89 (Intangible assets). There may be good reasons for the CPC to include them, but they cannot be included in a product classification based on the industrial origin principle. The documentation will argue that even in the CPC these items should be treated as an annex and be coded differently. (Eurostat is currently elaborating a European version of a classification of constructions based on CPC division 52. This classification will be treated as a separate one with its own coding system.)
- CPC items not taken over, but substituted by other items. The given structure of the CPC was not seen as useful or applicable. In some of these cases the substitution of the given CPC items by other ones reflects the experience of some of the model surveys. A good example of that kind of deviation concerns division 84 (Computer and related services). In the CPA the respective structure for the computer services are mostly based on the Canadian model survey results (UN, 1991) rather than on the published CPC structure.

- A third category relates to CPC items not taken over at all. These CPC elements were viewed as being empty, unclear in their content or not adequate or useful under European circumstances (see example 1 and 2 of the Annex).

**b.) CPC items taken over only in an aggregated form**

A second kind of deviation refers to CPC items that were taken over in the CPA only in an aggregated form. For these it was felt that the detailed level of the respective CPC sub-classes would not be useful or applicable under European circumstances. Several examples can be found, most of them in the service area (for one see example 3 of the Annex).

**c.) Reclassification of CPC items (or parts thereof)**

A third important class of deviations concerns the reclassification of some CPC sub-classes or parts thereof, where it was felt that the industrial origin provided by the CPC was wrong. A number of examples could be quoted, most of them referring to the goods' part of the CPC. For many of those cases the level of detail of the HS was insufficient in order to classify them correctly according to industrial origin. In some of these cases the more detailed level of the CN allowed for correct activity linkage. It should be mentioned that for most of these cases the insufficient linkage to the activity was not due to the more detailed level of the European activity classification.

**d.) Classifying CPC items according to activities which have no industrial origin in the CPC**

CPC does not always provide a reference to ISIC Rev. 3 and this may not be necessary for a product classification that categorizes its elements based on the "physical properties and intrinsic nature of the products". In addition, there are some cases where reference is only given at the ISIC Rev. 3 division level. However, CPA had to classify these CPC items to the appropriate NACE Rev. 1 class. An example for the first case is CPC division 39 (Waste and scraps), an example for the second case is division 88 (Agricultural, mining and manufacturing services).

**e.) Introducing CPA elements without counterpart in the CPC**

In order to achieve symmetry between NACE Rev. 1 and CPA items had to be introduced in the CPA which have no counterpart in the CPC. A good example can be found in the trade area, where - as CPC gives reference to the specialized stores only - CPA had to introduce items for the non-specialized stores. This is based on the concept that the trade services - measured by the respective trade margin - are different between specialized and non-specialized stores and that reference only to the products traded is insufficient (see example 4 of the Annex).

**f.) Reinterpretation of CPC items**

A last class of deviations concerns reinterpretations or redefinitions of certain CPC items. These items have been taken over in the CPA, but were defined varying from the CPC. This was due to insufficient or unclear explanatory notes or was done in order to follow a different concept (see example 5 of the Annex).

13. There are some other features that should be incorporated in the CPA documentation, for which it is not so clear if CPA deviates from the CPC or not. This is especially the case with certain services not explicitly mentioned in the CPC and/or in ISIC Rev. 3. CPA mentions such services in its explanatory notes and it should be reviewed if the CPA attribution seems to be appropriate from the CPC point of view. In such cases CPA always followed the European activity classification and the way NACE Rev. 1 interpretes ISIC Rev. 3 (see examples 6 and 7 of the Annex).

14. The other main part of the CPA documentation will summarize the proposals, comments and discussions regarding the further development and revision of both the UN and the European central product classifications. Already during the elaboration phase of CPA differing views on general issues and on single items have been expressed, to which in the documentation will be referred to. Any other proposals - from Member States, working groups of Eurostat, professional organizations, Members of the Voorburg Group, etc. - will be incorporated. In the end, the documentation should help for reviewing the basic issues.

15. The Annex to this paper shows for several examples the structure and content of the documentation. All examples refer to services and many of them have already been described in the authors' contribution to the 7th Voorburg Meeting 1992.

## **Annex**

### **CPA DOCUMENTATION Example 1**

**CPA:** - - -

**CPC:** 96111

**TITLE:** Promotion or advertising services

**NACE Rev.1:** 92.11

**ISIC Rev.3:** 9211

**HS/CN:** - - -

**STATEMENT:** Not included in the CPA. No explanatory notes in the CPC. It seemed that these services are not identifiable as a separate service. If rendered by separate units on behalf of the film producing company these services should be considered as advertising services. - According to Picard this CPC sub-class should be kept. However, according to his proposal CPC 96111 should be defined as production services of advertising movies, and the question remains if this was the originally intended content of that CPC sub-class.

**SOURCE:** 1992 version of the CPA; H. Picard, Proposed explanatory notes to the CPC Divisions 94 to 99, paper to the 8th Voorburg Meeting, Oslo 1993.

### **Example 2**

**CPA:** - - -

**CPC:** 94040; 94050; 94060; 94090

**TITLE:** Cleaning services of exhaust gases; Noise abatement services; Nature and landscape protection services; Other environmental protection services n.e.c.

**NACE Rev.1:** 90.00

**ISIC Rev.3:** 9000

**HS/CN:** - - -

**STATEMENT:** Not included in the CPA. It seemed that the headings of that CPC sub-classes are somewhat misleading as according to the explanatory notes of the CPC they do not cover the cleaning, abatement and protection services as such, but the monitoring and controlling. It is to be questioned if these services belong to 90.00 at all; even ISIC Rev. 3 makes no reference to such services in its explanatory notes to class 9000. It was considered to classify these services under technical services in the CPA. - According to Picard these services should be classified in CPC group 912 (94040, 94050) and sub-class 96332 (94060, 94090), respectively.

**SOURCE:** 1992 version of the CPA; H. Picard, Proposed explanatory notes to the CPC Divisions 94 to 99, paper to the 8th Voorburg Meeting, Oslo 1993.

### Example 3

**CPA:** 55.11.10

**CPC:** 64110.1; 64120.1

**TITLE:** Accommodation services, supplied by hotels with restaurant

**NACE Rev.1:** 55.11

**ISIC Rev.3:** 5510

**HS/CN:** - - -

**STATEMENT:** CPC distinguishes between hotel lodging services (64110) and motel lodging services (64120). This distinction was not taken over in the CPA, simply because such a differentiation does not exist when looking at the statistical units. - On the other hand, any subdivisions of the lodging services according to quality standards seem desirable, but not applicable as long as there is no European standardization. - See also CPA 55.12.10.

**SOURCE:** 1992 version of the CPA.

### Example 4

**CPA:** 52.61.11

**CPC:** - - -

**TITLE:** Retail trade services via mail order houses, specialized in textiles and clothing

**NACE Rev.1:** 52.61

**ISIC Rev.3:** 5251

**HS/CN:** - - -

**STATEMENT:** As CPC gives only reference to specialized stores rather than to non-specialized or other forms of trade CPA had to introduce service products for these kinds of trade. Otherwise this would have resulted in activities without products. Thus, for these CPA items there is no counterpart in the CPC, if the trade products are defined by the respective trade margins rather than by the products traded. In order to provide data on products traded CPA would annex a respective list of goods for each trade activity (not yet done). This will enable to handle the "dual interests" (W. Neece) in trade data publication programmes. - However, both the CPC and the CPA approach should be reviewed. If the CPC approach is to categorize according to the goods traded there should be no ISIC Rev. 3 reference at all. If the CPA approach should retain the margin concept, additional detail for the non-specialized trade may be desirable and less detail in the specialized trade may be more operational. - See also CPA 51.19.10; 51.39.11, - .12; 52.11.11, - .12; 52.12.10; 52.50.11, - .13; 52.61.12, - .13; 52.62.11, - .12; 52.63.10.

**SOURCE:** 1992 version of the CPA; W. Neece, Conceptual and Technical Issues in the CPC, with emphasis on Wholesale and Retail Trade, paper to the 7th Voorburg Meeting, Williamsburg 1992; W. Neece, Some Basic Issues in the CPC, paper to the 8th Voorburg Meeting, Oslo 1993 (for discussion of the different CPC - CPA approaches).



## Example 5

**CPA:** 60.24.11

**CPC:** 71121

**TITLE:** Transportation by vehicles for frozen or refrigerated goods

**NACE Rev.1:** 60.24

**ISIC Rev.3:** 6010

**HS/CN:** - - -

**STATEMENT:** CPA changed the title of CPC sub-class 71121 in order to emphasis that the mode of transportation should be the classification criterion rather than the kind of goods transported. This is based on the fact that the means of transport determine the production process, the product (transportation service) and the price of the service. A classification of the goods transported should be seen as an annex to the CPA. - However, CPA may not have introduced this concept for all the relevant transportation services. Some of them are still too much aligned with the kind of goods transported. - See also CPA 60.24.12, -.17; 60.24.21, -.22; 60.30.11, -.13; 61.10.21, -.27; 61.20.21, -.25; 62.10.21, -.23; 62.20.20.

**SOURCE:** 1992 version of the CPA; J. Eefting, comments on CPA in the transport sector, Internal Eurostat-paper, March 1992.

## Example 6

**CPA:** 60.24.41

**CPC:** 71219.1

**TITLE:** Passenger transportation by funiculars, teleferics and ski-lifts

**NACE Rev.1:** 60.21

**ISIC Rev.3:** 6021

**HS/CN:** - - -

**STATEMENT:** NACE Rev. 1 classified the operation of ski-lifts in 60.21; thus the CPA included ski-lift services under 60.21.41. Ski-lifts activities are neither mentioned in ISIC Rev. 3 nor in CPC. The most appropriate CPC sub-class seemed to be 71219 Other scheduled passenger transportation n.e.c., which includes cable-operated transport services (teleferics, funicular and similar services) rendered on a scheduled basis. - An alternative classification for ski-lifts could be NACE Rev. 1 92.61 Operation of sports facilities.

**SOURCE:** 1992 version of the CPA.

## Example 7

CPA: ---

CPC: ---

TITLE: Weather forecasting services

NACE Rev.1: 74.20

ISIC Rev.3: 7421

HS/CN: ---

**STATEMENT:** NACE Rev. 1 included in its explanatory notes to class 74.20 weather forecasting activities. Weather forecasting is neither mentioned as an activity in ISIC Rev. 3 nor as a service in the CPC. - There is yet no separate subcategory in the CPA nor any mentioning in the explanatory notes to CPA subcategories of 74.20. All the CPC sub-classes classified in 74.20 are not appropriate for including weather forecasting services in one of them. - Should weather forecasting be classified here, or under research and development or only as a government service according to COFOG 13.40 ?

**SOURCE:** NACE Rev. 1; COFOG 1980.