

# GENERAL AGREEMENT ON

## TARIFFS AND TRADE

RESTRICTED

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### Committee on Government Procurement

#### EVALUATION OF CLASSIFICATION SYSTEMS FOR STATISTICAL REPORTING

#### Submission from the Delegation of Canada

#### Background

In an earlier submission, Canada concluded that it would require significant resources for programming and data collection if the Harmonized System (HS) is adopted for the reporting of annual statistics. This conclusion was supported later by the submission from the United States which also uses the Federal Supply Classification (FSC) for statistical purposes.

In the search for a uniform coding system for reporting on government procurement, three systems have been proposed for discussion:

CCCN: Customs Co-operation Council Nomenclature. This system is designed for coding imports-exports of goods. It does not include codes for services.

SITC: Standard International Trade Classification. This system is designed for coding import-exports of goods. It does not include codes for services. It is a 5-digit decimal system, very flexible and highly detailed.

CPC: Central Product Classification. This is a coding system for goods and services. It is structured as follows:

- (1) 10 sections (1-digit each); they are broken down by:
- (2) 69 divisions (2-digit each); they are broken down by:
- (3) 291 groups (3-digit each); they are broken down by:
- (4) 1036 classes (4-digit each); they are broken down by:
- (5) 1787 sub-classes (5-digit each).

Of the three proposed systems, the CPC seems to be the most appropriate, despite a number of limitations which will be discussed later.

#### Salient points

1. At the 2-digit (Division) level there are 39 divisions for manufactured goods and 30 divisions for services. Service codes will be useful should Code coverage be extended to service contracts.

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2. For reporting at the 2-digit level, a conversion computer programme can be developed for converting the 78 FSC groups to the 39 CPC divisions of manufactured goods. This approach would allow each signatory to continue using its internal system of coding. However, it should be noted that a conversion programme does not provide 100 per cent compatibility for classification.

3. With respect to coding for services, more in-depth analysis is required to determine the compatibility of the CPC to the current system used by Supply and Services Canada and other purchasing departments.

#### Limitations

1. The CPC system is a mixture of commodity and industry classification, for example: A motor vehicle purchased from a manufacturer is coded 4840. If it is purchased from a wholesaler/dealer, it is coded 6111 and from a retailer/dealer, it is coded 6112. Thus, there are three levels for coding the same item of manufactured goods: manufacturer, wholesaler and retailer. A buyer would have to code accordingly after verifying the type of business of the supplier. As such, CPC is not a commodity classification system based on the type of commodity alone, it is rather an industry classification based on the type of business of the supplier.

2. The CPC system does not have a specific class or classes for classifying "software packages", a major product procured by governments.

3. The CPC system is still at the developmental stage and it is not finalized. No doubt there will be more drafts coming and more improvements.

#### Conclusion

Recognizing its limitations, the CPC system appears to be a promising alternative to the present classification system for reporting GATT procurement statistics.

However, if adopted, it should be used as a commodity classification (i.e. no consideration with respect to the type of supplier) with reporting based on the 2-digit 39 divisions of manufactured goods.

Conversion programmes between CPC and other systems currently being used can be developed in collaboration with other signatories using the same system, such as Canada and the United States in converting FSC to CPC.