**Session 4: Industrial Classification Systems: Treatments for the upcoming NACE or ISIC revision and other industry classification issues**

**Session Paper**

In Fiji we use the Fiji Standard Industrial Classification (FSIC) 2010 is a national classification that is used for classifying data according to the kind of economic activity in the fields of economic and social statistics, such as for statistics on national accounts, demography of enterprises, employment and others. FSIC 2010 has been derived from International Standard Industrial Classification (ISIC) Rev. 4. necessary modifications to meet national requirements have been made.

**What plans and /or strategies are being developed for the implementation of revised economic classification systems? What are some lessons learned from the recent ISIC revision?**

Currently we have not started with any revision of ISIC yet. It will be similar to the concordance from ISIC rev. 3 to rev.4. From ISIC Rev3 to ISIC rev.4 the general structure did not change. However, the more details has been introduced at all levels.

**What are the current methods and procedures for updating statistical units to a new industrial classification systems?**

We manually do the classification of ISIC into the business register database by identifying the main economic activities

**What new techniques or methods are used classify statistical units?**

Currently we update ISIC manually but in next revision we plan to do auto-coding which will make us easier to identify the industry of each business.

**What are some of the best practices for updating statistical units to a new industrial classification system that can be shared with the business register community?**

The quality and comparability of statistics produced using FSIC 2010 will depend largely on the correctness of the codes assigned to the statistical units. In turn, the correctness of the codes will depend on the information available for determining them and the tools and procedures used. To some extent, the quality of the information will depend upon the type of statistical source: Statistical offices will frequently need to collect directly from the units the information needed to determine the activity codes of the units, even when the business register used as the basis for their surveys is derived from, or developed in cooperation with, one or more of the administrative agencies. Given the nature of FSIC 2010, the information that is needed to code for the register as well as the surveys will have to describe the main inputs, processes and outputs of the units’ productive activities. For units with a wide range of products, information about them will also be necessary to determine their contributions to the value added or other relevant factors by which to determine their main activity. It often happens that units change their primary industrial activity either at once or gradually over a period of time. In such cases the change has to be reflected in the statistics, and thus in the activity codes assigned to these units. It is recommended that such changes be made at a time a major survey is carried out, e.g. an annual census: this is in order that e.g. an annual census: this is in order that short-term statistics do not become incomparable with longer-term statistics. **Classification of enterprises** -when activities of an enterprise cover a large variety of FSIC sub-classes, it may be appropriate for certain statistics to classify them at the division level only. When such unit is to be classified at a lower level of the classification, the top-bottom approach using the value added should be used.

**What are some challenging industrial classification Issues? How they are handle?**

1. **Classification of Statistical Units**

The principal activity of the unit determines the activity classification of that unit. Secondary and ancillary activities are to be disregarded when classifying a unit. Ideally the principal activity of the unit should be determined by reference to the value added of the goods sold or the service rendered. In practice it is often impossible to obtain the information on value added of the different activities performed and the classification has to be determined by using substitutes.

1. **Treatment of mixed Activities**

Treatment of independent multiple activities- if a unit is engaged in several types of independent activities but cannot be segregated into separate statistical units (when, for example manufacture of bakery products is combined with manufacture of chocolate confectionery), the unit should be classified according to the activity that contributes most to the value added of the unit i.e. 50 per cent of the value added.

1. **E-Commerce**

Gaining popularity in Fiji is the sale of goods and services through the Internet or by other electronics means. The transfer of ownership of a good or service in e-commerce involves three stages:

* The placement of the order
* The payment and
* The delivery of the good or service

E-commerce transactions may include situations where only the first stage, second stages or all three stages are conducted through the internet or by other electronics means. Production units engaged in e-commerce should be classified to the industry of the principal activity. Such units therefore, can be found in any industry of FSIC 2010. There is one notable exception in this rule: in retail trade, units that undertake their sales exclusively or predominantly through the internet are classified within FSIC 2010 subclass 47901.

1. **Repair and maintenance**

FSIC 2010 now provides separate categories for the repair of all kinds of goods, however no single high-level category exists that could cover all repair activities. Based on the type of good repaired, the activities are classified as follows:

* Repair of motor vehicles and motor cycles are classified in sub-classes 45201 and 45401, respectively.
* Repair of computers and communication equipment is classified in group 951
* Repair of personal and household goods is classified in group 952
* Repair of other machinery and equipment is classified in group 331
* Repair of buildings and other structures is classified in division 43.
1. **Outsourcing/ activities on a fee or contract basis**

Some units sell goods or services under their own name but actual production is carried out fully or in part by others through specific contractual arrangements:

* Principal is a unit that enters into a contractual relationship with another unit to carry out some part (or all) of the production process;
* Contractor is a unit that carries out a specific production process based on a contractual relationship with a principal. The activities performed by the contractor are denominated on a fee or contract basis”.
* Outsourcing is a contractual arrangement according to which the principal requires the contractor to carry out specific production process.