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**Comments on the companion guide to ISIC and CPC  
and on the revision plans**

INSEE, France



### **Review of the companion guide to ISIC and CPC (Agenda point 3)**

The companion guide to ISIC and CPC is a practical tool which is essential to the interpretation and the implementation of ISIC and CPC, and we welcome the work carried out by the experts who participated in its development. However, this document has been made available quite late for countries, like France, which set up new classifications in 2008.

For example, in case of vertical integration, in NACE rev. 1.1 (as in ISIC Rev.3.1) there was a conventional rule to classify by default at the downstream activity units for which no data were available. In ISIC Rev.4 and NACE rev. 2, these rules have been dropped. Now, NACE rev. 2 does not allow for exceptions to the general classification rule according to the value added. Therefore, in any situation, in NACE rev. 2, there is no conventional rules for classification by default in case no detailed information is available.

In France (and also in other European Union countries), the practical methods for the classification of units were defined before implementing the business register with the new classification, that is to say during 2007. In most of the cases, when no detailed data were available, the statistical units have been classified at the downstream activity. Now, mid-2009 -that is nearly two years after the implementation of the new classification in the business register- the present companion guide proposes a long list of conventional classification of units at the upstream activity. These rules come much too late and it is not possible today to change our practical rules used to classify statistical units in our business register.

Without contesting the benefits of a classification by default and without entering in a discussion on the conceptual validity of these rules, they will not be applied in case they go against the practical rules adopted in France.

### **Revision plans for ISIC and CPC (Agenda point 6)**

In France, as well as in all European Union countries, the new classifications based on ISIC Rev.4 and CPC Ver.2 have been implemented at the beginning of 2008.

First comment : the users generally seem to be satisfied with the work that has been carried out and the implementation is going rather well taking place according to the plan. They greeted favorably the work completed at international, European and national level ; in particular, they praised the good coordination of the whole revision process. The amount of complaints and protests regarding the new classifications is less high than expected. Our first impression is therefore quite good and the new classifications seem to be well accepted by the users.

Second comment : the burden generated by the operation was (and is still) very very high and nobody is ready to start a new revision even a slight one like the one carried out in 2002 without very good reasons.

We do not see therefore the need to operate a revision on a short -or mid- term, even a slight one, and of the ISIC Rev.4 in particular.

Before discussing the need, the importance and the schedule of a new revision, we feel that a period of about two years is necessary. It seems to be the appropriate time needed to take stock of the situation and then to identify the pending issues (the ones that would not have been resolved by the current revision) or the new issues related to the last revision.

The two coming years should essentially be dedicated to :

#### **- prepare an update of ISIC Rev.4 and CPC Ver.2 for 2012**

By "update" we mean the checking and the correction of all the mistakes we can find specially the discrepancies between ISIC and CPC (often coming from a direct copy from NAICS explanatory notes) or between headings explanatory notes within each classification. Clarification of content of

some headings would be desirable as well. This update should not include modifications in the structure of ISIC and CPC.

**- take stock of the change**

The first data produced according to the new classifications have only been available since the beginning of 2009 and the implementation will only be achieved in the course of 2011. It would therefore be premature to start doing a global assessment of this process and we feel that a period of two years (up to mid 2011) is still necessary. It would be useful in particular to assess all the innovations provided in the ISIC (relevance of the new divisions such as the repairs activities or the new sections of the ISIC, the classification of principals) and in the CPC (for example the relevance of the introduction of the constructions, of waste , etc...). This work would only be possible by taking a step back from the information produced with this new classification.

**- identify the main issues**

A methodical work of identification of the existing issues should be carried out. A certain amount of old issues have still not been resolved with the new classifications. New issues also appeared (for example the trade of services, the pre payment, the intangible assets). It is necessary to identify these issues, to list them and also to organize some workshops in order to resolve them.

The work carried out as regards the two last items (taking stock of the change and identifying the main issues) would be a first input to assess the scope, the key points and the schedule of a new revision to be planned later.

**As a conclusion, it does not seem relevant at this point to consider a possible « revision » of the ISIC or of the CPC by 2012. However, an “update” (without the adoption of a formal agreement) can be considered, in particular to improve the understanding and use of the present versions.**