3.1 As outlined in Chapter 1, industries are formed by grouping business units that are mainly engaged in undertaking similar economic activities. Individual business units may use structures for their taxation, management, financing, production and employment functions which differ from the structures used for the same purposes by other business units. For statistical purposes, it is essential that standard definitions of business units are applied, so that the statistics required are able to be collected and compiled without gaps or duplication.

3.2 The primary purpose of developing a standard industrial classification is to enable the compilation of industry statistics on a comparable and consistent basis across different statistical collections and over time. This would be extremely difficult if different business unit structures were used in different collections, or in different time periods for some collections.

3.3 To support the integrated and efficient operation of many diverse statistical collections concurrently, statistical agencies use central registers of business units, delineated according to the definitions and rules set out in their units models. Among other things, the models specify which unit types are to be classified to an industry. The industry codes assigned are maintained on the central business register. Statistical agencies use a central business register to identify the business frames for their collections, which enable survey populations to be selected.

3.4 The units model enables the statistical agency to best collect the broad and diverse range of data it requires in respect of businesses, in order to produce the range of statistical outputs required by key users. Among other things, it should also take into account the costs to businesses of providing the necessary information and the costs to the statistical agency of maintaining the central business register.

3.5 The System of National Accounts, 1993 (1993 SNA) acts as one of the most important coordinating frameworks for economic statistics. Firstly, it acts as the conceptual framework for ensuring the consistency of definitions and classifications in different, but related, fields of statistics. Secondly, it provides an accounting framework for ensuring the numerical consistency of data drawn from different sources.
UNIT MODELS

3.6 In the real world, economic entities engaged in the production of goods and services vary considerably in their legal, accounting, organisational and operating structures. The terminology used to refer to these units also varies considerably from country to country. Two broad types of units are defined in the 1993 SNA – institutional units and producing units. These are defined for the purpose of compiling statistics within an integrated and coherent framework (the 1993 SNA).

3.7 The System of National Accounts’ (SNA) origin traces back to the report of the Sub-Committee on National Income Statistics of the League of Nations Committee of Statistical Experts which was published in 1947. This was followed by a report called A System of National Accounts and Supporting Tables which was released in 1953. The 1953 report was slightly modified in 1960 and in 1964. Then in 1968, the United Nations Statistical Commission approved the revised SNA (1968 SNA). The next revision that occurred (and the most current version of the SNA) is the one unanimously recommended by the Statistical Commission for adoption, the 1993 SNA. A further major revision of the 1993 SNA is well advanced and expected to be endorsed in 2008.

3.8 Unit models provide definitions of the units used, describe the relationships of the different unit types to each other, and identify the information held about each unit type on the business register. They form the basis for establishing and maintaining business structures on the business register for use in statistical collections. They enable qualitative and some quantitative comparisons to be made of statistical information collected from different unit types.

3.9 The unit models currently used by the ABS and Statistics NZ are outlined in Appendices 1 and 2 respectively. The unit models described include both the institutional and producing units used by the two agencies. While institutional units are discussed, the major emphasis in this publication is on the producing units used to compile industry statistics.

3.10 Institutional units are at the level at which financial and balance sheet accounts are maintained and from which a consolidated financial position can be derived. The primary classification of institutional units is to institutional sector, rather than to industry.

3.11 To study production and production functions, producing units need to be defined that are as homogeneous as possible in terms of the economic activities undertaken. The 1993 SNA recommends that producing units with the same principal activity be grouped into industries according to the ISIC. Individual countries use their own national industrial classifications, which are aligned with the ISIC to the extent possible.

3.12 Statistical agencies periodically review their unit models and their business register maintenance strategies, particularly when there are major changes in the environment in which they apply, or when significant new information sources become available to update their business registers.
UNIT OF CLASSIFICATION

3.13 The Type of Activity Unit (TAU) in Australia and the Kind of Activity Unit (KAU) in New Zealand are the main producing units used for the compilation of industry statistics in the two countries. These unit types are defined in Appendices 1 and 2 respectively.

3.14 In the review of the ANZSIC, the classification principles set out in Chapter 2 were applied to these particular unit types. Therefore, ANZSIC 2006 is primarily a classification of TAUs in Australia and KAUs in New Zealand.

UNIT TERMINOLOGY

3.15 The 1993 SNA and the ISIC use the term ‘establishment’ to refer to their recommended producing unit. The 1993 SNA defines an establishment as ‘an enterprise, or part of an enterprise, that is situated in a single location and in which only a single (non-ancillary) productive activity is carried out or in which the principal productive activity accounts for most of the value added’.

3.16 It further states that ‘although the definition of an establishment allows for the possibility that there may be one or more secondary activities carried out, they should be on a small scale compared with the principal activity. If a secondary activity within an enterprise is as important, or nearly as important, as the principal activity, then that activity should be treated as taking place within a separate establishment from that in which the principal activity takes place.’

3.17 ISIC Rev. 3.1 follows the 1993 SNA unit definitions. However ISIC Rev. 3, which predated the 1993 SNA, defined a wider range of producing units, including a kind of activity unit and an establishment unit. This recognised that the establishment unit was not suitable for all industry statistics.

3.18 Both Australia and New Zealand define their main producing unit at a somewhat higher level than that recommended by the 1993 SNA. Neither restrict their unit to a single physical location and both accept a lower level of homogeneity of activity in forming units compared with the 1993 SNA. This reflects the fact that the 1993 SNA provides the conceptually ideal treatment, which is not constrained by the practical operational issues which unit definitions have to address in each country, such as availability of data from standard business accounts at different levels of business unit.

3.19 The KAU defined in ISIC Rev. 3 was the origin of the similarly named unit in the New Zealand units model. It was also more closely aligned with the management unit previously used by the ABS, and its currently used TAU, than the establishment unit.