CHAPTER 5  A GUIDE TO THE CODING OF CERTAIN ACTIVITIES

INTRODUCTION

5.1 This chapter provides a guide to the treatment to be applied in ANZSIC 2006 to a number of complex industry coding issues. The guidelines include the treatment to be applied to issues which cut across the whole economy, as well as those specific to particular industries.

GOVERNMENT-OWNED UNITS

5.2 The classification of government-owned units in an industry classification may cause confusion given the existence of the category titled government or public administration. In ANZSIC 2006, the treatment of government-owned and controlled units is the same as that for non-government units i.e. units are classified according to their predominant activity. Ownership is not used as a criterion for a unit’s classification to industry.

5.3 Government units producing goods and services (e.g. education or health) are classified to the same industry as private sector units engaged in similar activities. The Public Administration and Safety Division includes all units primarily engaged in providing legislative, executive and judicial activities; or safety activities such as defence or policing. For a full definition of the Public Administration and Safety Division, see Chapter 7.

5.4 The implication of this treatment is that private sector units engaged in public administration or safety activities are classified to the Public Administration and Safety Division. This represents a significant change from ANZSIC 1993, where the Government Administration and Defence Division was restricted to government units.

OWN ACCOUNT CONSTRUCTION

5.5 A large number of new business units start up in any given period. Before commencing regular operations, some of these units need to undertake significant capital formation. In many instances, these units may decide to undertake the capital formation (e.g. construction of a furnace, a railway line, a factory or a mine) themselves. This raises the issue of whether these units are primarily engaged in construction activity, or engaged in the purpose for which the construction is being undertaken.

5.6 ANZSIC 2006 classifies a unit which undertakes own account capital formation to the industry covering its intended future operations, rather than to construction.

INDUSTRY SUPPORT SERVICES

5.7 There are a number of ANZSIC 2006 industry divisions which contain support service categories:
- Division A Agriculture, Forestry and Fishing;
- Division B Mining;
- Division K Financial and Insurance Services; and
- Division P Education and Training.
5.13 Units called subcontractors, like contractors, also undertake a variety of activities across all industries in the economy. These units may or may not work under the direction of the client business and can often be a sole trader i.e. a one-person business. These units are contracted to other businesses to perform one or more activities.

5.14 Traditionally, these units have been concentrated in the construction, mining and agricultural industries. However, these working arrangements have spread significantly to other industries. Subcontracting is treated in the same way as contracting in the ANZSIC, i.e. classified according to the predominant activity of the subcontractor and not to the industry of the client business they are contracted to.

5.11 Units called contractors can undertake a variety of activities across all industries in the economy. A contractor is commonly engaged to complete one or more of the suite of tasks embodied in the entire production process (e.g. a cleaning or catering task). In these situations, the unit is classified according to the activity it undertakes and not to the same industry as the unit contracting it. For example, a unit providing laundry services to a hospital does not get classified to the Health Care and Social Assistance Division. Instead, it is simply classified to the Laundry Services Class, as the unit is providing a laundry service.

5.12 Another common arrangement is where a unit undertakes the whole of a production process on a contract basis for another unit, and in doing so supplies the entire workforce, including supervisory staff. In this case, the contracted unit is classified according to the activity it undertakes, not to the more general Labour Supply Services Class.

5.10 The increasing use of contractors in the economy can cause confusion with respect to the appropriate coding of units described as 'contractors', 'subcontractors' or 'service companies'. The activities of units called 'contractors', 'subcontractors' and 'service companies' are in many ways the same, but there are some important distinctions in their classification. There may also be confusion between what constitutes a contracting unit and a labour supply service (referred to as Contract Staff Services in ANZSIC 1993).

5.9 When a service is not wholly consumed by units classified to a single division, it is classified to a 'general service' division, according to the type of service being provided. For example, transport services and veterinary services are typically consumed by units in more than one industry division. Therefore, they are classified to the appropriate classes in Division I Transport, Postal and Warehousing, and Division M Professional, Scientific and Technical Services respectively.

5.8 ANZSIC 2006 support service categories were created when it could be established that the output of an activity was wholly consumed by units classified to a single division. For example, support services classes such as 0522 Shearing Services and 0510 Forestry Support Services have been included in Division A Agriculture, Forestry and Fishing, as the outputs of the activities identified are wholly consumed by units classified to this division.
5.15 Units referred to as service companies have caused difficulties in the past with respect to industry classification. While service companies appear to be similar to contractors, they have some significant differences. Service companies are usually set up by units of the same enterprise group to provide specific services to other units in the group.

5.16 Some service companies are established to 'hold' the employees of another, usually related, business. For example, a construction unit may set up a separate company to hold all their employees. The service company then undertakes the construction work on behalf of the first unit on a fee or contract basis. In this case, the service company is deemed to be providing a construction service i.e. the contract is for the completion of a set construction task.

5.17 In such cases, the service company is providing the entire workforce, including the supervisory staff, to the first unit. In general, it is the nature of the activities undertaken by the units known as service companies which determine their industry classification. This is in accordance with the basic industry classification principle that a unit will generally be classified to an industry according to its own predominant activity.

5.18 The ANZSIC coding of units providing Labour Supply Services (referred to as Contract Staff Services in ANZSIC 1993) is often confused with contracting and service companies.

5.19 The ANZSIC 2006 Class 7212 Labour Supply Services is defined as:

*including units mainly engaged in supplying their own employees to other businesses on a fee or contract basis i.e. where assignments are mainly on a temporary or short-term basis and performed under the supervision of staff of the client unit.*

5.20 These units have large numbers of staff on their books and may specialise in the provision of staff in particular industries e.g. trades, nursing, office work etc.

5.21 In order to be classified to this ANZSIC class, a unit must satisfy the following conditions:

- the service provided to the client business must be one of labour supply;
- personnel supplied to the client remain employees of the unit providing the labour supply service;
- assignments are performed under the supervision of staff of the client business; and
- the labour supply unit is paid a fee by the client business for supply of the labour.

5.22 As noted above, where a unit provides the entire workforce, including the supervisory staff, to the client business, it is classified according to the nature of the activity being undertaken for the client business. The length of time covered by the contract is not a determining factor in these cases.

5.23 Repair and maintenance activities are carried out on a wide range of items of plant, equipment, household appliances and personal goods. The nature of repair and maintenance activities can vary, from engineering operations such as engine reconditioning, to minor servicing operations such as replacing a part in a washing machine. In ANZSIC 1993, these activities were classified to a number of different divisions. In ANZSIC 2006, the classification of these activities follows the production function principle.
5.24 Two distinct cases arise with respect to businesses mainly engaged in repair and maintenance activities. Repair and maintenance activities may involve essentially the same production function as that involved in the creation of the product, or they may involve a clearly different and identifiable production function.

5.25 In ANZSIC 2006, units mainly engaged in repair and maintenance activities involving similar production functions to those used for the creation of the original products, are classified to the industry where units creating the new product are classified.

5.26 In these cases, the degree to which the factors of production (capital and labour) are interchangeable between the creation and the repair and maintenance activities is very high. These repair and maintenance activities are included in the appropriate classes.

5.27 Examples include:
- aircraft repair and maintenance (Class 2394);
- ship and boat repair and maintenance (Classes 2391 and 2392);
- residential and non-residential buildings repair and maintenance (Classes 3011, 3019 and 3020); and
- highway, road, street, bridge or airport runway repair and maintenance (Classes 3101 and 3109).

5.28 Where units are mainly engaged in repair and maintenance activities involving different production functions to those used for the creation of the original products, they are classified to the relevant classes in the Other Services Division. Subdivision 94 Repair and Maintenance has been created within that division for repair and maintenance activities of this type.

5.29 Examples include:
- automotive repair and maintenance (Classes 9411, 9412 and 9419);
- domestic appliance repair and maintenance (Class 9421);
- electronic and precision equipment repair and maintenance (Class 9422);
- other machinery and equipment repair and maintenance (Class 9429); and
- clothing, footwear and personal accessories repair (Class 9491).

5.30 While all units mainly engaged in repair and maintenance activities involving distinctly different production functions are classified to this subdivision, some repair and maintenance activities are predominantly undertaken by units which either create the new products, or trade them. Creation of a separate class for these repair and maintenance activities anywhere in the ANZSIC would likely result in low coverage ratios. Units undertaking these activities as their predominant activity are classified to Class 9499 Other Repair and Maintenance n.e.c.

5.31 Where repair activities are carried out as a secondary activity by units which are mainly engaged in some other activity, the units are classified to the class to which their main activity is primary.
5.32 The treatment of installation activities has been problematic, as this activity is often undertaken in conjunction with other activities (e.g. manufacture or sales), as well as in isolation. Installation refers to the placement of a product into position for use, and encompasses such activities as the installation of hot water systems, air conditioning and elevators. Where another term for describing an installation-type activity appears more appropriate in terms of general usage, that term is used e.g. erection, assembly, fixing.

5.33 It is common for some business units engaged in manufacturing, construction, and wholesale or retail activities to install the products they sell to other businesses or households e.g. a business selling hot water systems to members of the public may arrange the installation of the system in the purchaser’s dwelling.

5.34 Where the installation is performed by the business unit selling the product, the installation activity is treated as a secondary activity of that unit. This is because the value added of the installation activity is normally less than that of the principal activity undertaken. Where installation activities are carried out as a secondary activity, by units mainly engaged in another activity, the units are classified according to their main activity.

5.35 The installation activities performed by these units are incidental to the primary activity of the unit (i.e. an elevator manufacturer may also install the lift in a building). Consistent with the classification principle of predominance, these units are classified according to their main activity (i.e. in the case of the elevator manufacturer to the appropriate Manufacturing class).

5.36 However, there are many units that specialise in providing installation activities only. In these cases, 'installation activities' are the predominant activity for the units and are coded accordingly. The classification contains a number of classes where such installation activities are the primary activities of the class (see Table 5.1 for more information).

5.37 Business units which sell products requiring installation by technical or professional staff may subcontract the installation activities to other firms, as these activities may not be seen to be part of their core business and/or they may require particular skills. Some business units specialise in the installation of particular products or groups of products and these units are classified to specialist installation classes. Table 5.1 summarises the classification of the different types of installation activities in ANZSIC 2006.
### TABLE 5.1: CLASSIFICATION OF INSTALLATION ACTIVITIES IN ANZSIC 2006

<table>
<thead>
<tr>
<th>Installation of</th>
<th>ANZSIC 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DIVISION C: MANUFACTURING</strong></td>
<td></td>
</tr>
<tr>
<td>Custom made built-in furniture or joinery by the manufacturer</td>
<td>1492 Wooden Structural Fitting and Component</td>
</tr>
<tr>
<td>Factory assembled commercial or industrial boilers</td>
<td>Manufacturing</td>
</tr>
<tr>
<td><strong>DIVISION E: CONSTRUCTION</strong></td>
<td></td>
</tr>
<tr>
<td>Electrical machinery (heavy, on-site assembly); Telephone, telegraph or telex equipment - distribution lines, electricity or communication, construction</td>
<td>3109 Other Heavy and Civil Engineering Construction</td>
</tr>
<tr>
<td>Structural steel components for buildings or other structures</td>
<td>3224 Structural Steel Erection Services</td>
</tr>
<tr>
<td>Hot water systems, plumbing (except marine), septic tanks</td>
<td>3231 Plumbing Services</td>
</tr>
<tr>
<td>Television antennae, pay TV antennae, domestic exhaust fans, electric light or power, computer cabling; Telephone, telegraph or telex equipment - telecommunication cable or wire installation (except transmission lines)</td>
<td>3232 Electrical Services</td>
</tr>
<tr>
<td>Air conditioning duct-work, air conditioning equipment, heating equipment (except industrial furnaces), refrigeration equipment</td>
<td>3233 Air Conditioning and Heating Services</td>
</tr>
<tr>
<td>Fire alarm systems and sprinklers</td>
<td>3234 Fire and Security Alarm Installation Services</td>
</tr>
<tr>
<td>Curtains, blinds and awnings, insulation materials, elevators, escalators</td>
<td>3239 Other Building Installation Services</td>
</tr>
<tr>
<td>Floor coverings</td>
<td>3243 Tiling and Carpeting Services</td>
</tr>
<tr>
<td>Glass (in windows or doors or as covered by the term glazing)</td>
<td>3245 Glazing Services</td>
</tr>
<tr>
<td><strong>DIVISION M: PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES</strong></td>
<td></td>
</tr>
<tr>
<td>Computer software</td>
<td>7000 Computer System Design and Related Services</td>
</tr>
<tr>
<td><strong>DIVISION S: OTHER SERVICES</strong></td>
<td></td>
</tr>
<tr>
<td>Car air-conditioning, car radio/CD player, car security system, car mobile phone</td>
<td>9411 Automotive Electrical Services</td>
</tr>
<tr>
<td>Motor vehicle gas tank</td>
<td>9419 Other Automotive Repair and Maintenance</td>
</tr>
</tbody>
</table>

### RENTAL, HIRING AND LEASING

5.38 Rental, hiring and leasing might be considered a single kind of activity which could be made primary to one class in the ANZSIC. The term, however, encompasses a range of significantly different activities which are treated as follows:

#### Finance leasing

5.39 Units mainly engaged in the leasing of equipment to other businesses under financial lease arrangements are classified to Class 6230 Non-Depository Financing, in Division K Financial and Insurance Services, as they are providing finance for the purchase of the equipment.

#### Renting with an operator

5.40 Renting, hiring and leasing heavy machinery with an operator is included in the division where the equipment is predominantly used. This is because the output being provided is a particular service, rather than just the provision of equipment for rent, hire or lease. For example, when construction machinery is hired in conjunction with the operator, the service being paid for is a construction service and not just for the use of equipment for a day. Examples of hire with operator include:

- hire of construction machinery with operator (Class 3292);
- hire of motor vehicles with driver (Class 4623);
- hire of boats with crew (Class 4820); and
5.49 In the previous version of the ANZSIC, manufacturers who sold their produce directly to end consumers were in some cases, e.g. bakeries, classified as retailers. In ANZSIC 2006, this treatment has been changed so that units that undertake both the manufacture and sale of their product, within the one unit, are classified to manufacturing.
5.53 There is no special difficulty classifying units mainly engaged in the production of goods or services on a contract, commission or fee for service basis for other units. However, difficulties arise in determining the major activity of units which have goods or services produced for them on a contract, commission or fee for service basis, where these goods or services are included in the final output of the unit.

5.54 Units that arrange the manufacture of their products by another unit, paying the sub-contracted unit a commission, are referred to internationally as 'converters'. The treatment of converters was a significant boundary issue in the development of ANZSIC 2006, because decisions made regarding the treatment of their activity affect the scope of the manufacturing, wholesale and retail divisions. The treatment of converters has been clarified in the definitions of these divisions for ANZSIC 2006.

5.55 Historically, these units have been classified to the manufacturing division, because the businesses concerned often previously manufactured the goods themselves. They have since, for various reasons, sub-contracted out the manufacturing activity to other units, either in the same country or abroad.

5.56 While converters do not physically manufacture the goods, they often own the inputs to the manufacturing process, the copyright to the design of the goods, bear the commercial responsibility and risk for the goods produced, and exert significant control over the production process.

5.57 ISIC currently classifies these units to manufacturing, provided they exert some control over the design of the goods or the manufacturing process. ISIC Rev. 3.1 specifically states that ownership of the material inputs is required for a converter to be classified to the manufacturing division:

units which sell goods or services under their own name, and for their risk, but have the actual production done by others, are to be classified as if they produce the goods or services themselves, provided that they have considerable influence on the conception of the products or, in the case of the manufacturing industry, they own the materials to be transformed.
5.62 Consistent with the Wholesale Trade Division, ANZSIC 2006 treats commission-based retailing differently to the non-commissioned activity, as again there are fundamental production function differences between the activities. These differences are based on the different capital and labour requirements required by the two activities.

5.63 Units providing commission buying and selling activities to the general public are classified to Division G Retail Trade. Class 4320 Retail Commission-Based Buying and/or Selling has been created for the activities of units mainly engaged in onselling goods to the general public on a commission basis.

5.64 These units include commission-based sales services and commission buying services. These units were classified to the Business Services n.e.c. class in ANZSIC 1993.
5.69 Many large enterprise groups include one or more business units that may be described as a 'corporate head office' or something similar. The head office may be for the group as a whole, or for a division of the group. These units undertake activities relating to a wide range of functions, some of which are considered to be ancillary activities under the 1993 SNA.

5.70 A corporate head office typically provides strategic leadership to related units and exercises significant control over other units within an enterprise group. The Class 6961 Corporate Head Office Management Services caters for units that undertake corporate head office activities and is defined as:

*Units mainly engaged in overseeing and managing; exercising operational control; and/or undertaking the strategic or organisational planning and decision-making roles of related units. Units in this class may also hold the securities of the related units for which it undertakes these activities.*

5.71 Where a corporate head office undertakes a variety of management activities, and it is not possible to determine one that is predominant, the unit will be classified to Class 6961 Corporate Head Office Management Services.
HOLDING COMPANIES

5.72 Holding companies typically hold securities (or other equity interests) in other companies for the purpose of owning an interest in, or influencing the management decisions of, these firms. They do not administer or manage those entities whose securities they hold. Units mainly engaged in these activities are classified to Class 6240 Financial Asset Investing.

5.73 Where a unit undertakes activities relating to both 'head office' and 'holding company' functions, as outlined above, the unit is classified to Class 6961 Corporate Head Office Management Services.

COPYRIGHT AND DISTRIBUTION RIGHTS

5.74 The treatment in ANZSIC 2006 of units which own copyright and distribution rights differs to that in ANZSIC 1993. In the revised classification, these units are classified to the relevant class in Division J Information Media and Telecommunications, whether or not they actually distribute the works. The works may relate to various products e.g. music recordings, articles, books, radio or television programs, motion pictures, software etc. In ANZSIC 1993, these units were classified to Class 7730 Non-Financial Asset Investors under the Property and Business Services Division.

5.75 Owning or having a claim on a copyright, and letting others use it in exchange for a consideration, is seen as the essence of publishing activity, regardless of the nature of the other party involved. The other party may be a business which actually distributes the works, or a member of the public purchasing a copy of the work in some form.

PACKAGING

5.76 In ANZSIC 1993, various contract packaging activities were classified to different divisions depending on what was being packed. In ANZSIC 2006, no distinction is made on the commodity being packed, with all contract packaging activities included in Class 7320 Packaging Services.

5.77 This class includes units mainly engaged in packing goods in bottles, cans, cartons, collapsible tubes, plastic sachets, plastic films or bags or other containers or materials on a contract or fee basis. The services may include labelling and/or imprinting the package.

5.78 While there was a broadly equivalent class in ANZSIC 1993, the contents of Class 7320 have been expanded to ensure a more consistent treatment of packaging activities where they are the primary activity of a business unit.

5.79 The class now includes the following additional activities:
- packing fresh fruit or vegetables (previously in Division A Agriculture, Forestry and Fishing);
- contract packing of groceries (previously in Division F Wholesale Trade); and
- packing or crating goods for transport (previously in Division I Transport, Storage and Warehousing).

5.80 The similarities of the production functions for these activities with other packaging activities indicate that they should be classified to the same ANZSIC class, rather than to the Divisions whose units are the main users of the respective packing services.