

GENERAL AGREEMENT ON

RESTRICTED

GPR/W/95

31 March 1989

TARIFFS AND TRADE

Special Distribution

Committee on Government Procurement

Original: English

SUBMISSION FROM THE DELEGATION OF CANADA ON THE
MATTER OF A UNIFORM CLASSIFICATION SYSTEM
FOR THE REPORTING OF STATISTICS

The following submission was tabled by the delegation of Canada at the Committee meeting of 16 March 1989.

At its meeting of 7 October 1989, the Committee discussed the issue of Article VI:10(b), which calls for a "uniform classification system to be determined by the Committee". Until now, statistics have been reported in accordance with the decision taken when the Code was implemented to use 26 categories flowing from the Customs Co-operation Council Nomenclature (CCCN).

Suggestions have been made that the uniform classification system should be based on the Harmonized System (HS) nomenclature. Concerns were expressed, however, regarding the level of detail and administrative costs which would be required by a transposition to the Harmonized System.

As a result, delegations were asked at the October meeting to give thought to whether or not it was possible to use the Harmonized System at the two-digit level or the four-digit level for the purpose of reporting statistics to the Committee. In this context, the Department of Supply and Services prepared a tabulation involving the conversion of 616 (four-digit) classes from the Federal Supply Classification (FSC) system currently used by the Canadian Government to the Harmonized System two-digit level. We have requested that the Secretariat make available this document for inspection. The Canadian delegation submits the following findings from this transposition exercise:

- (i) the existing 26 groups are easy to manage. Signatory members using the NIPRO System can easily group their commodities into these 26 groups. The same is true for the FSC (Federal Supply Classification) used by Canada and the United States;
- (ii) the use of the Harmonized System, on the other hand, requires reporting either by 21 sections or by 98 chapters. The 21 sections provide limited details and would in fact be a step backward compared to the existing 26 groups. The 98 chapters of the Harmonized System (two-digit level) provide extensive details, but require substantial work in gathering and organizing the data;

- (iii) the Harmonized System is oriented toward commercial items. It includes several classes for consumer goods, but does not provide details for heavy machinery or military equipment, the main products purchased by government. The FSC system is oriented towards government procurement. For example, for textiles the Harmonized System has several chapters, whereas the FSC has only one class. For aircraft, the Harmonized System has one chapter, but the FSC has 24 classes;
- (iv) as a result, the FSC (four-digit) classes are barely compatible with the Harmonized System sections/chapters. The framework resulting from our tabulation shows that it is not feasible to have a one-to-one relationship between the classes of the two systems, at least at the FSC four-digit to Harmonized System two-digit level. As mentioned above, the underlying reason relates to the fact that the FSC and the Harmonized System have been designed to serve different purposes;
- (v) the use of the Harmonized System would, therefore, mean that Canadian contracts subject to the GATT Code would have to be coded both under the FSC system and under the Harmonized System chapters. The alternative would be to expand the FSC classes from four-digit to six- or eight-digit, as required to fit the Harmonized System Classification, together with the development of a conversion index such as the one we have submitted. (This index would obviously be of considerable size and complexity.) Both options would involve significant resources for programming and data collection;
- (vi) the Committee's examination of this issue thus far has shown that the use of the Harmonized System as the basis for developing a uniform classification system may prove difficult for certain Committee members. Discussions should also continue therefore on other possibilities which would enhance the comparability and transparency of the statistics, yet involve a minimum administrative burden;
- (vii) as an alternative to the Harmonized System, the uniform classification system called for under Article VI:10(b) could be based on the development by each Party of a concordance between their own internal classification system whether FSC, NIPRO, Harmonized System, etc., and a list of GATT product categories expanded beyond the existing twenty-six. To this end, further consideration should be given to a suggestion made by the United States at the Committee meeting of 16 October 1987 that delegations provide the Secretariat with concordances between the categories used for the domestic classification of products procured, and the categories used in the preparation of GATT statistical reports. In Canada's view, such an exercise would allow the Committee to assess the feasibility of using these concordances as a basis for agreement on a uniform classification system;

- (viii) the Committee has on several occasions considered the merits of extending the number of product categories from the existing twenty-six. Future discussions on this point could focus on the possibility of expanding the current list of product categories to include certain sub-categories for the main product groups purchased by governments. For example, category no. 14, "Office Machines and Automatic Data Processing Equipment", could be divided to include a sub-category entitled "Computers". The Committee could agree on the extent of the breakdown based on the value and volume of procurement in certain product groups. As previously mentioned in the Committee, the historical summary tables prepared by the Secretariat would be useful for the consideration of further breakdowns. This proposal could result in an expanded yet manageable number of uniform product categories, thereby allowing a more comprehensive analysis of procurement statistics;
- (ix) Canada recognizes that the Committee's task of monitoring implementation of the Code would be facilitated by improving the classification system for the reporting of statistics and believes that this matter should be given detailed consideration.