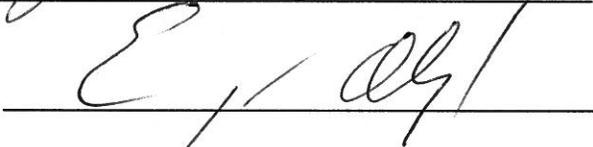
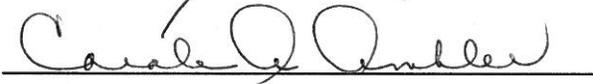


NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM

(NAICS 2002)

AGREEMENT Number 32

This document represents the proposed agreement on the structure of the North American Industry Classification System (NAICS) for the construction sector. The detailed NAICS structure along with a brief description of the structure is attached (Attachments 1 and 2). Each country agrees to release a copy of the proposed NAICS structure to interested data users. Comments received will be shared among the countries and additional discussions will be held before a final decision on the structure is made. Each country may add additional detailed industries below the internationally agreed upon level of NAICS, as necessary to meet national needs, so long as this additional detail aggregates to an internationally agreed upon level in order to ensure full comparability among the three countries. This NAICS structure was presented and accepted at the NAICS Committee meeting held on November 30 through December 2, 1999 in Ottawa, Canada.

<i>Accepted</i>	<i>Signature</i>	<i>Date</i>
Canada		<u>2/12/99</u>
Mexico		<u>2/12/99</u>
United States		<u>2/12/99</u>

ATTACHMENT 1--NAICS STRUCTURE

- 23 Construction
 - 236 Construction of Buildings
 - 2361 Residential Building Construction
 - 23611 Residential Building Construction
 - 2362 Nonresidential Building Construction
 - 23621 Industrial Building Construction
 - 23622 Commercial and Institutional Building Construction
 - 237 Heavy and Civil Engineering Construction
 - 2371 Utility System Construction
 - 23711 Water and Sewer Line and Related Structures Construction
 - 23712 Oil and Gas Pipeline and Related Structures Construction
 - 23713 Power and Communication Line and Related Structures Construction
 - 2372 Land Subdivision
 - 23721 Land Subdivision
 - 2373 Highway, Street, and Bridge Construction
 - 23731 Highway, Street, and Bridge Construction
 - 2379 Other Heavy and Civil Engineering Construction
 - 23799 Other Heavy and Civil Engineering Construction
 - 238 Specialty Trade Contractors
 - 2381 Foundation, Structure, and Building Exterior Contractors
 - 2382 Building Equipment Contractors
 - 23821 Electrical Contractors
 - 23822 Plumbing, Heating, and Air-Conditioning Contractors
 - 23829 Other Building Equipment Contractors
 - 2383 Building Finishing Contractors
 - 2389 Other Specialty Trade Contractors

ATTACHMENT 2--NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM

Draft Classification for Construction

Representatives of the statistical agencies of Canada, Mexico, and the United States agree to a draft industrial classification for the Construction sector. The draft classification of the construction sector is divided into subsectors covering Construction of Buildings, Heavy and Civil Engineering Construction, and Specialty Trade Contractors. These subsectors are further subdivided into 10 four-digit industry groups and 12 five-digit industries.

A General Outline

Establishments in the Construction Sector erect buildings, perform heavy and civil engineering construction, and perform specialized construction trade activities. The classification distinguishes between establishments that are responsible for an entire building or building renovation project and those that perform specific functions during the erection of a building or building renovation project. A subsector is provided for each group. The classification further distinguishes all establishments performing civil engineering and heavy construction activities, whether the complete project or a portion of the project, in a third subsector.

In Construction of Buildings, the classification distinguishes between the erection of residential buildings and the erection of nonresidential buildings. Each of these industry groups includes establishments that are responsible for an entire building or building renovation project. These industry groups include general contractors and design-builders working for owners and operative builders who undertake the entire project on a speculative basis. Establishments in the Construction of Buildings subsector may perform specific construction activities or subcontract for specific tasks. Additionally, each industry group includes establishments that are hired to manage the project, including oversight of the design, financing, bidding, and review processes, and/or act as a liaison between the owner and a general contractor, designer, architect, or engineer. The classification makes no distinctions in the residential buildings industry group because of differences in the organization of construction establishments among the three countries. National level detail will provide specific information based on the type of structure (single family or multifamily), type of project (new structures or alterations and renovations of existing structures), or type of establishment (general contractor or operative builder) as appropriate in each country. Consideration was given to each of these breakouts but national differences in the operating characteristics of establishments prevented three-country level comparability. Establishments erecting nonresidential buildings are segregated into establishments erecting commercial and institutional buildings and establishments erecting industrial buildings and manufacturing plants. This NAICS industry level distinction recognizes the differences inherent in erecting the various types of buildings.

Establishments performing heavy construction are separated into four industry groups: Utility System Construction; Land Subdivision; Highway, Street, and Bridge

Construction; and Other Heavy and Civil Engineering Construction. Industries in these groups are engaged in large-scale projects and have related production characteristics. Heavy and Civil Engineering Construction establishments can perform the work or subcontract the work to specialized establishments.

Establishments in the Utility System Construction industry group construct lines and related structures for utility systems. For example, Water and Sewer Line and Related Structures Construction establishments that construct pipelines, distribution lines, irrigation systems, water treatment plants, sewage treatment plants, and pumping stations are grouped together. This recognizes the fact that these buildings and structures are inter-related in a network environment and are not meaningfully separated based on the particular type of structure. Land Subdivision is included in Heavy and Civil Engineering Construction because of the similarity of activities involved with land subdivision and the other industry groups. For example, improved subdivisions often require installation of basic utilities, roads, and similar improvements that are also included elsewhere in the Heavy and Civil Engineering Construction subsector. The production similarities for construction of highways, streets, and bridges justified the third industry group. The fourth, residual, industry group includes other heavy and civil engineering construction. Examples include marine construction, such as the building of ports and harbors, and construction of dams for retaining water, flood control, or hydroelectric power generation purposes. Heavy and Civil Engineering Construction includes general contractors, design-builders, operative builders, and those specialty trade contractors whose activities generally only apply to the Heavy and Civil Engineering Construction subsector. The activities performed by the specialty trade contractors in this subsector are rarely performed elsewhere.

In Specialty Trade Contractors, NAICS recognizes the highly specialized nature of a large number of small construction establishments. These establishments concentrate on a particular construction activity or group of activities rather than accepting responsibility and risk for an entire project. This difference separates these establishments from the first two subsectors. Establishments in the Specialty Trade Contractors subsector usually act as subcontractors for the general contractors, operative builders, design builders, and other establishments that assume the risk for an entire construction project that takes place in the Construction of Buildings subsector. In this capacity, they can perform work as subcontractors or work directly for owners. Specialty Trade Contractors also perform repair, renovation, and maintenance on various systems that fall within their specialty. The skills and equipment used by specialty trade contractors in this subsector have more general application than skills and equipment used by the specialty trade contractors included in Heavy and Civil Engineering Construction.

Limitations and Constraints of the Classification

Climatic and geological differences within and among the three countries lead to different construction techniques and practices for various types of structures. While wood is a significant input for residential housing in the Northern United States and Canada, concrete and stone are more common in the Southwest United States and in Mexico. Concrete and stone do not require siding and various other protections that are required with wood sheathing. Geological instability results in different structural and foundation requirements. Climate conditions dictate more insulation in northern areas

while less insulation is appropriate in drier and warmer climates. These conditions lead to differing size and importance of various industries throughout North America. Each subsector varies across geographic lines based on the availability of raw materials and the environmental conditions that dictate construction practices.

Relationship to ISIC

Most of the industries in the NAICS Construction Sector are contained in Division 45, Construction, of the International Standard Industrial Classification of All Economic Activities (ISIC, Revision 3) of the United Nations. There are, however, some differences between the two systems. Both NAICS and ISIC exclude preparation of oil and gas fields from Construction. NAICS includes construction management activities within each of the industries in the Construction Sector while ISIC classifies construction management activities in Division 74, Other Business Activities. NAICS includes land subdivision in Construction, while ISIC classifies land subdivision in Division 70, Real Estate Activities.

Some Changes to the National Industries

During the initial NAICS development effort, the three countries agreed to the boundary and scope of the Construction sector at the two-digit level. Each of the countries developed their own national structure at the three-, four-, five-, and six-digit levels. The changes discussed are identified as NAICS with a prefix of C for Canada, U for the United States, and M for Mexico for previous national detail and NAICS02 for the draft classification.

For Canada, CNAICS 23 was broken into two subsectors: one for CNAICS 231, Prime Contracting; and CNAICS 232, Trade Contracting. NAICS02 is comprised of three subsectors: 236, Construction of Buildings; 237, Heavy and Civil Engineering Construction; and 238, Specialty Trade Contractors.

CNAICS 23141, Construction Management, will be distributed throughout all of the new NAICS02 Construction industries.

Land Subdivision and Development, CNAICS 23111 will be moved from the subsector for Building Construction to NAICS02 23721 within the Heavy and Civil Engineering Construction subsector. This move reflects the similarity of the activities performed in the land subdivision industry and other industries in Heavy and Civil Engineering Construction subsector.

The construction of structures, such as sewage treatment plants and water treatment plants will be moved from CNAICS 23139, Other Engineering Construction, to NAICS02 2371, Utility System Construction, and distributed to the proper industries within the industry group.

For Mexico, the NAICS02 structure is very similar to the MNAICS structure developed in 1997. While there were various minor reagggregations below the industry group level, the subsector levels remained largely unchanged.

MNAICS 236 contained one industry group, 2361 Buildings. NAICS02 now contains two industry groups: 2361, Residential Buildings; and 2632, Nonresidential Buildings.

MNAICS 237 was made up of two industry groups: 2371 Construction of Structures for Water, Electricity, Telecommunications, Petroleum, and Gas; and 2372, Construction of Urban Infrastructure and Transportation Systems. NAICS02 is divided into four industry groups: 2371, Utility Systems Construction; 2372, Land Subdivision; 2373, Highway, Street, and Bridge Construction; and 2379, Other Heavy and Civil Engineering Construction.

As is the case for Canada, MNAICS 23822, Supervision and Management of Construction projects will be distributed throughout the construction industries in NAICS02.

For the United States, the subsector structure for UNAICS and NAICS02 are very similar. Most changes occurred below the subsector level. Of particular note, UNAICS 23311, Land Subdivision and Land Development moved from the subsector for construction of buildings to NAICS02 237, Heavy and Civil Engineering Construction.

UNAICS 23499, All Other Heavy Construction, included water treatment plants, sewage treatment plants and similar buildings that are now included in NAICS02 2371, Utility System Construction.

At the national level, the United States has reinstated an industry for operative residential builders that were not separately identified in UNAICS. This industry had existed in the US SIC. The United States also created a new national industry for residential remodeling establishments. In previous classifications, residential remodelers were classified together with new residential construction.

Achievement of Objectives

The classification meets the objectives for the North American Industry Classification System (NAICS). It includes industries that group establishments with similar production processes, that is, it applies the production-oriented economic concept. In the main, the hierarchical structure of the classification also follows the production concept.

The industries are highly specialized, and they are economically significant. Disruptions to time series are minimal. The classification achieves comparability at most five-digit levels for the three participating countries. All three countries agree on the detailed definitions of the industries.

Other objectives of the NAICS project are not as relevant in this area of the classification as in others. These objectives are the delineation of new and emerging industries, service industries, and industries engaged in the production of new technologies.