

PROPOSAL FOR ADDITIONAL CPC DETAIL, FOOD AND BEVERAGE SERVICES

Mayer Fallena Martínez

INSTITUTO NACIONAL DE ESTADÍSTICA Y GEOGRAFÍA (INEGI)
Dirección General de Estadísticas Económicas
Dirección de Normatividad y Metodología Conceptual
Subdirección de Clasificaciones Económicas de Actividades y Productos

September-october, 2004

Introduction

This paper presents a proposal for additional detail in the Central Product Classification (CPC), specifically referred to food and beverage services, based on the work developed under the North American Product Classification System (NAPCS). The first section describes NAPCS in general terms; the second shows the structure of the subject matter in the North American Industry Classification System (NAICS), while in the third chapter an overview of the food and beverages market and restaurant industry in Mexico is presented. The current CPC Version (Ver.) 1.1 structure for food and beverages services is shown in part IV, and it is in the fifth section where the proposal for additional CPC detail –based on products developed under NAPCS- is described. Finally, Appendix 1 presents the product list for food and beverage services developed under NAPCS.

I. North American Product Classification System (NAPCS)

Since 1999, the statistical agencies of Canada, Mexico and the United States develop the North American product Classification System, which identifies and classifies the products (goods and services alike) offered in the market. NAPCS will complement the industry classification created by the three countries: the North American Industry Classification System (NAICS), developed between 1994 and 1997.

The objective of NAPCS is to create a classification system for products that:

- Is not industry-of-origin based but can be linked to the NAICS industry structure.
- Is consistent across the three NAICS countries.
- Promotes improvements in the identification and definition of service products across international classification systems, such as the CPC of the United Nations.

Carrying out NAPCS project comprises two stages:

- I. The first one is focused on identifying and defining products produced by industries in NAICS service sectors. This stage contains three phases, preparing product lists of a set of economic activities in each of them:
 - a) Phase I of NAPCS focused on four selected NAICS services sectors: 51, *Information*; 52, *Finance and Insurance*; 54, *Professional, Scientific and Technical Services*, and 56, *Administrative and Support and Waste Management and Remediation Services*. Phase I started in 1999 and except for minor details is almost completed.
 - b) Phase II, currently under construction, extends product development to five additional service sectors: 48-49, *Transportation and Warehousing*; 61, *Educational services*; 62, *Health Care and Social Assistance*; 71, *Arts, Entertainment and Recreation*, and **72, Accommodation and Food Services**.
 - c) It is expected to begin phase III in mid-2004 and it is scheduled for completion in early 2005, in order to complete product identification and definition for all NAICS services sectors.

II. The second stage consists in developing a demand-based classification structure that will group products according to their principal use and, within that principal use, on how they are used in relationship to each other. While this structure will include both goods and services, only service products have been trilaterally agreed to.

It should be noted that NAPCS focused on identifying service products because of two reasons: the increasing share of services sectors in the North American economic structure, and the relative lack of detailed information about service products, compared to the existing data on manufactured products.

It is expected that NAPCS will increase the ability to:

- Estimate the demand on goods and services domestically consumed and internationally transacted.
- Properly inform the countries' negotiators in international trade for services.
- Provide useful information to service industry analysts and others who wish to estimate market share for a certain services firm, or to investigate the growth on demand for specific services.

Finally, it is important to comment that INEGI tested the products developed under phase I of NAPCS (for industries covered in NAICS sectors 51, 54 and 56), using 67 *Product Catalogues* in the 2004 Economic Census. The results of this exercise are expected by year 2005; thus, the criteria that will be used to evaluate them are currently being planned.

II. Food and beverage services in NAICS

In order to work in a coordinated way, the three countries set up a trilateral Working Group (composed by a subcommittee in each country) that was charged to identify and define the products produced by industries classified in NAICS sectors 71 and 72. The first area for which a product list was prepared was subsector 722; its trilateral structure¹ is shown below:

Code	Title
722	Food Services and Drinking Places
7221	Full-Service Restaurants
72211	Full-Service Restaurants
7222	Limited-Service Eating Places
72221	Limited-Service Eating Places
7223	Special Food Services
72231	Food Service Contractors
72232	Caterers
72233	Mobile Food Services

¹The NAICS structure is composed by a common –trilateral- part for Canada, Mexico and the United States, and a specific –national- part for each country. The first four levels of the structure (sector, subsector, industry group and industry) form the trilateral classification, and below this level each country may add additional detailed industries (national industries, not shown in this paper), as necessary to meet national needs.

7224	Drinking Places (Alcoholic Beverages)
72241	Drinking Places (Alcoholic Beverages)

The entire 722 list is presented in Appendix 1, at the end of this paper.

III. Food and beverages market and restaurant industry in Mexico

Drawing up a proposal focused on food and beverages products turns out to be very interesting, considering a sizeable proportion of all the consumption by Mexicans goes towards this item. In 2001, el 33%² of all expenditures made by households and Non-profit Institutions Serving Households (NPISH) in the domestic market was dedicated to acquire both food and food services³, compared to a 31.7% share in 1991.

During the decade (1991-2001), expenditures on food increased 3.3% (average annual growth rate), exceeding the 3% rate of real growth in total demand by households and NPISH. Spending on food and beverages increased 3.5%, while expenditures on meals outside the home rose at a slower rate: 1.7%.

Viewed from another perspective, 14.5% of all 2001 expenditures on food were spent on meals outside the home, a slightly lower proportion than in 1991, when it accounted for 16.9%, and certainly lower than in 1994, when it reached a period peak of 19.1%.

The loss of share of meals outside the home in the food market stems from the economic crisis Mexico faced in 1995. Spending on food services is highly related to the general level of employment and to the wages and salaries' purchasing power; in other words, it mainly depends on personal income. In general, when a crisis arises, incomes fell and the expenditures made in restaurants and similar establishments are among the first that consumers scale back; when real earnings recover, consumer spending expands and the sales on food services grow.

When the 1995 crisis brought a 8.3% real decline in total expenditures by Mexicans, households and NPISH spending on meals outside the home dropped more than double: -18.8%. Even in 1996, when total consumption slightly recovered (2%) spending on food and beverage services fell by a further 7.1. A somewhat similar situation occurred in 2001, when –experiencing a national and international recession- total demand barely expanded 2.5%, but consumer spending on meals outside the home totally stagnated.

Although consumers may spend less in food services and drinking places during a crisis, food itself is essential for all the population- regardless of economic conditions. Thus, it stands to reason that demand on food and beverages decreased relatively less in the 1995 crisis (-5.1%, compared to the -8.3% fall in total demand, as it was previously noted), or that it rose 4.3% in 2001, almost 2 points above total expenditures in the domestic market.

Up to now the whole analysis that has been carried out in this section has referred to demand on food and beverages, but it is very important to comment the main characteristics

²The source for this data, as well as for all the information that will be commented in this section about expenditure by Mexicans in food and beverages is: INEGI. Sistema de Cuentas Nacionales de México. *Cuentas de Bienes y Servicios, 1988-1999 y 1996-2001*. Tomo II, Aguascalientes, Ags., México.

³The consumer food market comprises expenditures on meals outside the home (in restaurants, drinking places and other food services establishments) and those made at food stores, supermarkets, etc., on food and non-alcoholic beverages.

of supply; i.e., about the food services and drinking places industry⁴ in Mexico. According to the 1999 Economic Census, this activity accounted for 234,291 unities in 1998, supporting a workforce of 762,476, thus contributing with 25% of the economic unities and 18.5% of the total employment in Mexico's service sector⁵ in the year previously mentioned (Accommodation and Food Services as a whole –NAICS 72- represented the activity with the largest employment and the second place in terms of economic units, only below NAICS 81 *Other Services (except Public Administration)*).

As a comparison, the 1997 United States Economic Census reported 486,906 establishments classified in subsector 722, generating 7,754,567 employees⁶. Though in absolute terms the figures in both variables were higher in the United States than in Mexico, in relative terms one can note a different participation of the activity in the services sector, since in the former country it meant 13.5% of the sectorial establishments and 14.1% of the employment (lower shares than those commented above for Mexico).

The restaurant industry is not only one of the main activities in the services sector, but it also drives other industries of almost the whole economy (for example: agriculture activities, wood product, plastic and paper manufacturing, etc.); as a matter of fact, the country's main restaurant association (Cámara Nacional de la Industria de Restaurantes y Alimentos Condimentados, A.C. –CANIRAC-), estimates this activity “pulls” 67 industries from agriculture, manufacturing and service sectors.

It should be highlighted that in 2002, food and beverage services produced 1.9%⁷ of Mexico's total Gross Domestic Product (GDP), a very similar figure –but higher- than the one reported by Canada and the United States in the same year (food and beverage services accounted for 1.6 and 1.7%⁸ of GDP, respectively). These services are also a key element in Mexico's touristic activity: according to INEGI's *Touristic Satellite Account*, they accounted for 24.1%⁹ of the Tourism GDP, just below transportation –whose share in the Tourism GDP reached 33.4%- but above accommodation services.

Food and beverage services in Mexico can be characterized as a “traditional and familiar” activity, since 96%¹⁰ of the establishments were considered as micro or small businesses (less than 50 paid employees, following the classification designed by the Ministry of Economy) in 1998. This can be partially explained because food and beverage services are one of the most feasible options as a “first instance” business opportunity when a person decides to become independent; besides, the necessary investment for setting up a restaurant or similar is much lower than the one required to create other type of establishments (an hotel, for example). In contrast, in the United States 33% of subsector 722 establishments that operated for the

⁴Food services and drinking places are frequently referred to as the “restaurant industry” in this business area but the concept is not limited to restaurants properly, it rather comprises the whole food and beverage services, including caterers and drinking places. For the purposes of this paper, “restaurant industry” implies all establishments classified to NAICS subsector 722 *Food services and drinking places*.

⁵ SOURCE: INEGI. *Sistema Automatizado de Información Censal, SAIC 4.0*, Censos Económicos, México, 1999. The share does not include sector NAICS 93 *Public Administration and international and extraterritorial organizations*, because the information was not available in the consulted source.

⁶ SOURCE: U.S. Census Bureau, 1997 Economic Census. *Accommodation and food services Subject Series*, Summary statistics for the United States: 1997, <http://www.census.gov/prod/ec97/97r72-sm.pdf>.

⁷ SOURCE: INEGI. *Cuenta Satélite del Turismo de México, 1997-2002*. www.inegi.gob.mx

⁸ The share in Canada was calculated from: Statistics Canada. *Gross Domestic Product at basic prices, finance and services*, <http://www.statcan.ca/english/Pgdb/fin06.htm>, while the data for the United States was taken down from: Bureau of Economic Analysis. *US Gross Domestic Product by Industry*, Value added as a percentage of gross domestic product (Percent), http://www.bea.doc.gov/bea/dn2/gdpbyind_data.htm.

⁹ Data for year 2002, SOURCE: INEGI. *Cuenta Satélite del Turismo de México, 1997-2002*. www.inegi.gob.mx

¹⁰ CANIRAC is the source for this data.

entire year 1997 occupied 50 or more employees¹¹, thus showing a notable difference in the average size (and the structure) of this activity between both countries.

IV. Current CPC Ver. 1.1 structure for food and beverage services

Food and beverage services are currently covered under CPC Ver. 1.1 Section 6 *Distributive trade services; lodging; food and beverage serving services; transport services; and utilities distribution services*; specifically, under Division 63 *Lodging; food and beverage serving services*, which includes 2 groups, 5 classes and 5 subclasses (detailed products), as shown below:

Code	Title
632	Food serving services
6321	Meal serving services with full restaurant services
63210	Meal serving services with full restaurant services
6322	Meal serving services in limited-service facilities
63220	Meal serving services in limited-service facilities
6323	Caterer services, providing meals to outside
63230	Caterer services, providing meals to outside
6329	Other food serving services
63290	Other food serving services
633	Beverage serving services for consumption on the premises
6330	Beverage serving services for consumption on the premises
63300	Beverage serving services for consumption on the premises

The industry-of-origin basis of the classification is evident; i.e., CPC items are defined by using criteria of the units providing those services. Conversely, NAPCS products are defined by the own characteristics of the service being exchanged.

V. Proposal for additional detail in the CPC based on NAPCS products for food and beverage services

As noted in section II, Appendix 1 shows the NAICS 722 product list, which is the basis to propose additional detail in the CPC. From the beginning, it is important to clear some issues:

¹¹ This share was calculated from: U.S. Census Bureau, 1997 Economic Census. *Accommodation and food services Subject Series*, Employment Size of Establishments: 1997, <http://www.census.gov/prod/ec97/97r72-sm.pdf>.

- The list presented in Appendix 1 is about to be completed, but until now is a provisional version.
- Products included in the list were identified and defined through participation of experts from the industry (for example: establishments classified in NAICS subsector 722, associations that represent them, etc.), that were contacted by each country's subcommittee.
- The 722 Working Group prepared an aggregation structure which recognizes two main groups: 1) Primary products, which are the result of the primary activity of the economic unities classified in this category, and 2) Related products, which are the result of secondary activities carried out by these establishments. The proposal for additional detail in the CPC not necessarily agrees with the structure and detail of the 722 list, and in its turn, the product structure in this list not necessarily will be maintained in the NAPCS structure (as a whole classification system, with all products included) once the aggregation criteria are applied.
- Products identified as related products in the NAPCS list (group number 2) are not included in the proposal, since they are already included elsewhere in the CPC. For example, Reselling services for merchandise, retail/Sale of merchandise¹² are covered in Division 62; employment services (the provision of cooks, bartenders, waiters/waitresses, for example) are addressed in subclass 85129; temporary accommodation services are classified to CPC 63190, etc.

Upon comparing the current CPC Ver. 1.1 structure with the 722 list, one should note that the five detailed products in CPC groups 632 and 633 are broken down by NAPCS into 16 trilateral products¹³; in a number of cases, this was brought about because NAPCS listed as products some services that CPC considers only as examples in the explanatory notes. However, a part of the NAPCS detail might be excessive for the CPC (for example, to have separate products for meals on the one hand and for non-alcoholic beverages on the other, at the most detailed level of products with or without table service¹⁴), therefore this proposal retains the basic elements of the NAPCS list while aggregating to a level more appropriate for the CPC.

The proposal for additional detail in CPC groups 632 and 633 follows, including numbering, titles and definitions:

¹² Due to conceptual and practical differences between the countries, some of the NAPCS products have different titles and definitions, as in this case where the United States uses the title "Reselling services for merchandise, retail", while Canada names it as "Sale of merchandise". Until an agreement is reached, each country uses the titles and definitions that it prefers. In the Spanish version, the title being used is: "Servicios de reventa al por menor de mercancías".

¹³ Trilateral products are those agreed upon by Canada, México and the United States on which it is expected to collect data. Below the trilateral level, each country may recognize additional detail by means of *national* products that are necessary and appropriate for its economy.

¹⁴ The 722 Working Group broadly discussed the convenience of identifying meals and non-alcoholic beverages as separate products at the most detailed breakdown of products with or without table service. It was argued that these elements could create reporting problems for establishments that might not be able to break down the sales of meals and non-alcoholic beverages, but considering the interest shown by the consulted experts, the three countries agreed to include them in such a way that if restaurants and similar establishments can not provide the figures for non-alcoholic beverages separately, they will use the product "Meals and non-alcoholic beverages" (either with or without table service) to provide the aggregated data. As the testing of products developed under NAPCS continues in each country, it will be verified if the desired level of detail can be accomplished, and if it does, this breakdown could be recommended for use in the CPC.

Number	Title	Definition
632	Meals and Non-Alcoholic Beverages, Prepared and Served or Dispensed, for Immediate Consumption	Meals, snacks, other food items and beverages prepared and served or dispensed for immediate consumption (ready for consumption with little or no further cooking or other preparation). The food and beverages may be purchased by those who consume the food, or by businesses or institutions on behalf of those who will consume the food.
6321	Meals and Non-Alcoholic Beverages, Prepared and Served	See definition for subclass 63210.
63210	Meals and Non-Alcoholic Beverages, Prepared and Served	Meals, snacks, other food items and non-alcoholic beverages prepared and served for immediate consumption, on the premises at a bar, table, or other place attended by a server.
6322	Meals and Non-Alcoholic Beverages, Prepared and Dispensed without Table Service, for Immediate Consumption	Meals, snacks, other food items and non-alcoholic beverages prepared for immediate consumption, either on the premises at a table, bar or other place not attended by a server, or off the premises. Food for immediate consumption is ready for consumption with little or no further cooking or other preparation.
63221	Meals and Non-Alcoholic Beverages, Prepared and Dispensed without Table Service, for Consumption On the Premises	Meals, snacks, other food items and non-alcoholic beverages prepared for immediate consumption, on the premises at a table or other place not attended by a server.
63222	Meals and Non-Alcoholic Beverages Prepared and Dispensed via Drive-Through Service	Meals, snacks, other food items, prepared for immediate consumption, and sold through a drive-through or drive-up window to customers while they are still in their vehicle. Food for immediate consumption is ready for consumption with little or no further cooking or other preparation. Includes meals and beverages sold as a bundle.
63229	Meals and Non-Alcoholic Beverages Prepared and Dispensed for Immediate Consumption Off the Premises, Other than via Drive-Through Service	Meals, snacks, other food items, and non-alcoholic beverages prepared for immediate consumption off the premises, except when sold through a drive-through window. Food for immediate consumption is ready for consumption with little or no further cooking or other preparation. Includes meals and non-alcoholic beverages for take-out, for home delivery, or purchased from a mobile vendor.
6323	Meals and Beverages for Immediate Consumption, Prepared Under Long-Term Contract	Meals, snacks, other food items and beverages, prepared and served or dispensed, for immediate consumption, under contract for a specified period of time, to a business, government or institution, which pays the food preparer to provide the meals to a particular group of people. This product includes meals purchased by airlines, hospitals, prisons and schools to feed their passengers, patients, inmates, students, etc. It includes meals purchased by employers for immediate consumption by employees at remote sites such as for oil and gas exploration sites.
63231	Meals and Beverages for Immediate Consumption, Prepared Under Long-Term Contract, for Transportation Businesses	Meals, snacks, other food items and beverages, prepared and served or dispensed, for immediate consumption, under contract for a specified period of time, to a transportation business, which pays the food preparer to provide the meals for passengers and crew.

Number	Title	Definition
63239	Meals and Beverages for Immediate Consumption, Prepared Under Long-Term Contract, Other than for Transportation Businesses	Meals, snacks, other food items and beverages, prepared and served or dispensed, for immediate consumption, under contract for a specified period of time, to a business, government or institution (except transportation), which pays the food preparer to provide the meals to a particular group of people. This product includes meals purchased by hospitals, prisons and schools to feed their patients, inmates, students, etc. It includes meals purchased by employers for immediate consumption by employees at remote sites such as for oil and gas exploration sites.
6324	Meals and Beverages Prepared for Catered Events	Meals, snacks, other food items, and beverages prepared and served or dispensed for immediate consumption at unique events, where one person or entity contracts with the catering establishment and directly pays for the food and beverages. This product may include transportation of the food and beverages to a site provided by the customer, or may include provision of a dining facility (such as a banquet room) by the catering establishment. The terms of a catering contract are agreed in advance of the event, including the food and beverages to be served, the price per person, the number of people to be served, the location, and the level of service in terms of servers, bartenders, etc.
63241	Meals and Beverages Prepared for Catered Events Held on the Caterer's Premises	Meals, snacks, other food items, and beverages prepared and served or dispensed for immediate consumption at unique events, where one person or entity contracts in advance of the event with the catering establishment and directly pays for the food and beverages. This product comprises only catering services which are held at a dining facility (such as a banquet room) provided by the caterer. The provision of the dining facility may be included in the price of this product, or charged for separately. The terms of a catering contract are agreed in advance of the event, including the food and beverages to be served, the price per person, the number of people to be served, the location, and the level of service in terms of servers, bartenders, etc.
63242	Meals and Beverages Prepared and Served at Catered Events on the Customer's Premises	Meals, snacks, other food items, and beverages prepared and served for immediate consumption at unique events, where one person or entity contracts with the catering establishment and directly pays for the food and beverages. This product comprises only catering services which are held at a dining facility provided by the customer. Transportation of the food and beverages to the event site is included. This product may include various services at the event site, such as set-up, food preparation and food service. The terms of a catering contract are agreed in advance of the event, including the food and beverages to be served, the price per person, the number of people to be served, the location, and the level of service in terms of servers, bartenders, etc.

Number	Title	Definition
63243	Meals and Beverages Dropped off at the Customer's Event	Meals, snacks, other food items, and beverages prepared and dispensed for immediate consumption at unique events, where one person or entity contracts with the catering establishment and directly pays for the food and beverages. This product comprises preparation of the food and beverages and their transportation to a dining facility provided by the customer. This product does not include additional services at the event site, such as set-up, food preparation and food service. The terms of a catering contract are agreed in advance of the event, including the food and beverages to be dropped off, the price per person, the number of people, the location, etc.
633	Alcoholic Beverages, Prepared and Served or Dispensed for Immediate Consumption	See definition for class 6331.
6331	Alcoholic Beverages, Prepared and Served or Dispensed for Immediate Consumption	Alcoholic beverages prepared and served or dispensed for immediate consumption (in opened containers or glasses). Preparation includes opening, drawing, mixing, shaking, or pouring. Beverages may be served at a bar or a table. Includes alcoholic beverages prepared and served or dispensed that are paid for directly by passengers of transportation businesses.
63311	Wine and Wine Drinks, Prepared and Served or Dispensed for Immediate Consumption	Wine or wine mixed with other ingredients (except distilled spirits), prepared and served or dispensed for immediate consumption (in opened containers or glasses). Preparation includes opening, mixing, shaking, or pouring. Beverages may be served at a bar or a table. Includes alcoholic beverages prepared and served or dispensed that are paid for directly by passengers of transportation businesses.
63312	Beer, Ale, and Malt Beverages, Prepared and Served or Dispensed for Immediate Consumption	Beer, ale, or malt beverages, pure or mixed with other ingredients (except distilled spirits), prepared and served or dispensed for immediate consumption (in opened containers or glasses). Preparation includes opening, mixing, shaking, or pouring. Beverages may be served at a bar or a table. Includes alcoholic beverages prepared and served or dispensed that are paid for directly by passengers of transportation businesses.
63313	Drinks with Distilled Spirits, Prepared and Served or Dispensed for Immediate Consumption	Distilled spirits, served straight or mixed with other ingredients, prepared and served or dispensed for immediate consumption (in opened containers or glasses). Preparation includes opening, drawing, mixing, shaking, or pouring. Beverages may be served at a bar or a table. Beverages may be served at a bar or a table. Includes alcoholic beverages prepared and served or dispensed that are paid for directly by passengers of transportation businesses. Beverages may be served at a bar or a table. Includes alcoholic beverages prepared and served or dispensed that are paid for directly by passengers of transportation businesses.

It is convenient to describe the main characteristics of each category in the proposal:

6321, Meals and Non-Alcoholic Beverages, Prepared and Served

Further detail (compared with the current CPC) is not raised in this case; it is obviously not possible to suggest a breakdown in “consumption on the premises” and “consumption off the premises”, as in meals and non-alcoholic beverages without table service, because meals and non-alcoholic beverages prepared and served are by definition consumed **on** the premises. However, it should be emphasized that this definition covers not only the primary service product of full-service restaurants, but of any establishment that provides a service that conforms to its definition, including bars, night clubs, etc.

6322, Meals and Non-Alcoholic Beverages, Prepared and Dispensed without Table Service, for Immediate Consumption

Proposed category 6322 reflects in its breakdown the options available for the consumer when he (she) acquires meals and non-alcoholic beverages prepared and dispensed¹⁵ without table service, for immediate consumption. Through NAPCS research, a particular interest to have more data on these products –which correspond to a market segment that has experienced fast growth in the three North American countries’ economies¹⁶- was proved.

This product's breakdown is based on two elements: place of consumption and “service channel”. So, subclass 63221 comprises *meals and non-alcoholic beverages, prepared and dispensed* to the client over the counter in order to be consumed on the premises, without table service; subclass 63222 refers to *meals and non-alcoholic beverages prepared and dispensed for immediate consumption via drive-through service*, which does not even require a customer to leave his (her) car, and that is particularly important for “fast food” restaurants. Finally, *meals and non-alcoholic beverages prepared and dispensed for immediate consumption off the premises, other than via drive-through service* are found in subclass 63229, including meals and non-alcoholic beverages for take-out, for home delivery or purchased from a mobile vendor. If figures for categories 63222 and 63229 are grouped together, one can obtain aggregated data for meals and non-alcoholic beverages, prepared and dispensed for immediate consumption off the premises.

The definitions presented in the proposal represent an important improvement over the current wording in the explanatory notes for subclasses 63220 and 63290, since they do not limit the product to the unit that typically provides it. In this way, it is recognized that full-service restaurants too often dispense food for take-out or for delivery, and to the extent that they do, they are providing *the same service* as would be provided by a limited-service eating place when it dispenses food for take-out or delivery; the current CPC does not seem to have a proper place for the previous case, that is why the advantage of adopting the NAPCS definition should be highlighted, since it gives priority to the service regardless of the unit that supplies it.

¹⁵ The term “dispensed” was adopted by the Working Group to imply that meals and beverages are simply prepared and handed out to the client, without a table service element.

¹⁶ One of the reasons explaining this growth is the time constraints faced by the inhabitants of the three countries in an increasingly urbanized environment, leading them to seek meal options that are not time consuming.

6323, Meals and Beverages for Immediate Consumption, Prepared Under Long-Term Contract and 6324, Meals and Beverages Prepared for Catered Events

The current CPC subclass 63230 “Caterer services, providing meals to outside” includes food preparation and supply services provided by caterers both to private households and for enterprises and institutions. As a result of NAPCS research, there are enough reasons to suggest that CPC should recognize meals and beverages for immediate consumption, prepared under long-term contract separately from meals and beverages prepared for catered events (classes 6323 and 6324 in this proposal, respectively). A fundamental reason for this distinction is that the former product is provided under contract *for a specified period of time*, while the latter is provided at *unique events*.

Meals and beverages for immediate consumption, prepared under long-term contract are paid for by businesses, governments or institutions (for example: airlines, hospitals, prisons, offices, etc.) and not by the direct consumers (i.e., passengers, patients, inmates, workers, etc.). If the people who consume the meals pay anything directly, the product would be classified using any of the detailed products under classes 6321, 6322 or 6331 of this proposal.

As for the product detail, the NAPCS Working Group discussed several alternatives, such as to distinguish the *category of consumer* (i.e., passengers, patients, workers), but it was finally agreed to distinguish the *type of payer*, because it is more practical for data collection and it would produce more useful data. Therefore, the most detailed CPC categories should identify two types of clients –as in NAPCS- for “meals and beverages for immediate consumption, prepared under long-term contract”:

- For transportation businesses
- For businesses, governments or institutions (except transportation)

On the other hand, meals and beverages paid for by individuals, businesses or enterprises for catered events are supplied *in unique events* (such as weddings, baptisms and conventions). It is suggested to add the following 3 detailed products in the CPC, based on the location of the service and the type of service:

1. Meals and beverages prepared for catered events held on the caterer’s premises, which by definition imply a “full” service, since servers, equipment and meals and beverages are included.
2. Meals and beverages prepared and served at catered events on the customer’s premises, with a degree of service similar to the previous product, but supplied in a location provided by the customer.
3. Meals and beverages dropped off at the customer’s event, with a “limited” degree of service, because meals and beverages are simply prepared and handed out in the facility provided by the client.

This breakdown was considered appropriate considering the equipment used and services provided are significantly different between serving on or off the caterer’s premises (and when the service is provided at the customer’s premises, there is also a remarkable difference between “preparing and serving” and “preparing and dropping off”).

6331 Alcoholic Beverages, Prepared and Served or Dispensed for Immediate Consumption

This proposal attempts to improve the current CPC's categories 6330 and 63300, titled "Beverage serving services for consumption on the premises". The explanatory note for subclass 63300 describes it includes "beverage-serving services, of mostly alcoholic beverages, delivered by bars, beer halls, nightclubs, discotheques and similar facilities, with or without entertainment. Included are such services provided by bars operated in hotels or other lodging places or in transport facilities, e.g. in trains or aboard ships."

Once again, the service definition is evidently based on the industry-of-origin, limiting it to bars, beer halls, night clubs, etc. Conversely, the equivalent product definition in the NAPCS list covers all units that supply this service (the alcoholic beverages group is particularly important to **many** full-service restaurants and to **all** drinking places, but it is certainly offered by other units, such as: airlines, concessionaires at performing arts and sport venues, etc.). Additionally, the proposal definition explicitly establishes that the product comprises alcoholic beverages, bringing about a clearer wording than the one shown above in the phrase that reads: "beverage-serving services, of mostly alcoholic beverages", which leads the reader to make assumptions (are non-alcoholic beverages included?).

The same product breakdown used in the NAPCS list is proposed for the CPC, considering this type of detail is useful and of interest. Then, the product "Alcoholic beverages, prepared and served or dispensed for immediate consumption" should be broken down in:

- Wine and Wine Drinks, Prepared and Served or Dispensed for Immediate Consumption
- Beer, Ale, and Malt Beverages, Prepared and Served or Dispensed for Immediate Consumption
- Drinks with Distilled Spirits, Prepared and Served or Dispensed for Immediate Consumption

Conclusions

The ongoing work on NAPCS development has produced more product lists corresponding to various NAICS service sectors. Canada, Mexico and the United States have acknowledged that through these lists there has been a considerable increase in the number of service products currently available in their national classifications, and besides it is an advantage that those products have titles and definitions agreed upon by the three countries. It is expected that NAPCS work will be used as an input in the 2007 revision process for the CPC, especially in regard to improving the detail of the services part of the classification.

This paper presented a proposal for additional detail in the CPC regarding food and beverage services, mainly recognizing two issues: 1) their economic importance in the North American region -since they produced around 2% of each countries' GDP in 2002- and their sizeable contribution in tourism activities, and 2) the need to have additional breakdown in the CPC for food and beverage services products, in order to collect detailed data upon which the users will be able to develop more precise statistics of these services.

The present proposal is focused on proposing additional detail in the food and beverage services part of the classification, unlike the greater changes that have been proposed in other papers for areas such as Environmental consulting and Waste management services, or

Information and Communication Technology. Furthermore, the proposal emphasizes the advantages of using NAPCS products, which are not defined on characteristics of industries or economic units, but on characteristics of the services themselves, which brings about greater product coverage.

Comments on this proposal, including those that may arise from countries where the CPC has been used to measure the output of food and beverage services are welcomed.