

## Revision of Eurostat's NACE classification of economic activities

NACE SECTION M ("PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES")

### A summary of Eurostat proposals, with recommendations

Prepared by the European Federation of Engineering Consultancy Associations (EFCA)

This summary will serve as the basis for a survey of EFCA Member Associations. It is based on a survey circulated by INSEE (France).

To assist Member Associations:

- Each proposal is accompanied by comments and a recommendation (in red).
- Each recommendation is summarised in the table below.
- A separate report will review the effect of proposals to restructure the all-important Division M71. For these proposals (as shown in the table, there are four) it is recommended that Member Associations indicate that restructuring Division M71 needs an analysis that is more detailed than a simple acceptance or rejection of a specific proposal.

No.	Activity	Level	Relevance	Issue	Basis for EFCA Recommendation	Support	
						YES	NO
2.1.1	Legal and accounting	Group		Management representative			
2.1.2		Division	<b>x</b>	Innovation	Indicate importance. Resist any reporting requirements.	<b>xx</b>	
2.1.3	Legal	Class	<b>xx</b>	Real-estate activities	Professionals other than lawyers to be involved.	<b>xxx</b>	
2.1.4		Class		Detailed classification			
2.1.5	Accounting, bookkeeping, auditing, tax consultancy	Class	<b>xx</b>	Auditing physical assets	Auditing of physical assets (e.g., buildings) must be excluded.	<b>xx</b>	
2.2.1	Head offices	Group	<b>xx</b>	Head office activities	High overhead costs.		<b>xx</b>
2.2.2	Management consultancy	Group					
2.2.3	Public relations & communications	Class	<b>x</b>	Move Class	Grouping PR, advertising, etc activities possibly useful.	<b>x</b>	
2.2.4		Class	<b>x</b>	Extend Class		<b>x</b>	
2.2.5	Business & other management consultancy	Class					
2.2.6		Class					
2.3.1	Architectural and engineering activities; technical	Division	<b>xxxx</b>	Consolidate & extend	Possibly satisfactory	Depends on decision for Division M71	

	testing and analysis	Class	xxxx		Remove industrial design, agronomy & quantity surveying to M71.x		xxx
			xxxx		Remove surveying to M71.2.		xxx
2.3.2		Division	xx	Architectural conservation	Poorly defined.		xx
2.3.3		Class	xxx	Environmental protection	Include environmental engineering, but not as a new Class.	xxx	
2.3.4		Group	x	Architecture as a cultural activity			x
2.3.5	Architectural & engineering activities and related technical consultancy	Class	xxx	Energy	Possibly satisfactory	Depends on decision for Division M71	
2.3.6	Engineering activities and related technical consultancy	Exclusions & inclusions	xx	Volumetric construction	EFCA proposal	xx	
2.3.7			xx	Photogrammetry		xx	
2.3.8			xx	Engineering activities		xx	
2.3.9			xxx	NBS, BIM, marine, manufacturing design		xxx	
2.3.10		Class	xxx	All activities	Possibly satisfactory	Depends on decision for Division M71	
2.3.11		x	Geoinformatics				
2.3.12		x	Environmental				
2.3.13		Group	xxx	Food testing	Remove Group M71.2		x
2.4.1	Scientific R&D	Class	x	Precise classification	An improved classification of innovation needed.	x	
2.4.2	Scientific R&D & Testing	Division	xx	Incorporate surveying and environmental into testing	Surveying and environmental into M71.12 not into a new Group M71.2		xxx
2.4.3	Scientific R&D	Group		Biotechnology	Expansion of Group M71.2 affects Group M71.1 restructuring.	x	
2.4.4		Group	xx	Circular economy	Circular economy activity part of business-as-usual activity.		xx
2.4.5	Research and experimental development on biotechnology	Class		Biotechnology			
2.4.6	Other research and experimental development on natural sciences &	Group	x	Engineering research & experimental development	EFCA proposal is for a new Class M72.12 for engineering equivalent to that for natural sciences	xx	
2.4.7		Group	x			xx	

2.4.8	engineering	Group		Medical sciences	If a more highly classified science Group is accepted, engineering to have an equivalent Group.	Depends on decision for Group M72.1	
2.4.9		Group		Life sciences			
2.5.1	Advertising agencies	Group		Detailed classification			
2.6.1	Other professional, scientific and technical activities	Division	<b>xx</b>	Engineering design	Creating a new Group 74 for Group M71.1 activities that use new tools is unnecessary.		<b>xx</b>
		Class	<b>xx</b>	Quantity survey & environmental	Consolidate into Class M71.12.		<b>xx</b>
		Group	<b>xxx</b>	Architecture	Separating Class M71.11 (Architecture) from M71.12 (Engineering) is unnecessary.		<b>xxxx</b>
2.6.2	Specialised design	Class	<b>xx</b>	New types of specialised design	Additional inclusions and notes.	<b>xx</b>	
2.6.3		Group		Specialise design associated with specific areas of economic activity	Some classification as Classes is justified.	<b>x</b>	
2.6.4	Translation and interpretation	Group		Detailed classification			
2.6.5							
2.6.6	Other professional, scientific and technical activities	Group	<b>x</b>	Security services	Security services concerned with engineering design, construction and management systems need to be separated from operational aspects	<b>x</b>	
2.6.7		Group		Artists agents			
2.6.8							
2.7.1.	Veterinary	Group		Detailed classification			
2.7.2							
2.7.3							

## 1. EFCA survey

Given below are 45 Eurostat proposals that would form the basis for modification of NACE Section M (“Professional, scientific and technical activities”). These proposals are being examined by a Eurostat working group. Some working group members are asking national representative organisations for comments.

The proposals were copied to EFCA by an EFCA member association. It is likely that other EFCA Member Associations may have been contacted by their national statistics agency.

Six of the proposals are attributed to EFCA and other proposals reflect EFCA comments and suggestions that were made in late-2019 in response to a Eurostat call for proposals.

In a situation such as this, EFCA would normally aim to co-ordinate a joint response by contacting EFCA Member Associations for comments and feedback. This joint response would hopefully be used by Member Associations in responding to their national statistics agency.

EFCA Member Associations are asked to comment, if possible by **mid-August 2020**, on each of the proposals in terms of the impact on Division M71 and on other NACE Divisions.

Since Eurostat’s proposals are organised by the main NACE Section or Division, some proposals will affect more than one Section or Division. For example, proposals for Division M71 (“Architectural and engineering activities and related technical consultancy”) may impact Divisions M72 and M74, and Division M70 proposals may impact Division M73, and so on.

EFCA therefore aims to obtain a copy of Eurostat’s short-listed proposals for all NACE Divisions. In the meantime, Member Associations are asked to comment on the impact of each of the Section M proposals given below.

Ideally, responses should take the following form:

- The reason or reasons why your Member Association is or is not in favour of a proposal.
- An indication as to whether or not data can be obtained for a NACE Class or Group that is modified according to the proposal.
- An indication of the economic activity (in terms of the number of businesses affected, the number of jobs, or turnover) corresponding to the modified proposal.
- Other comments.

## 2. Proposals

### 2.1. Division M69 (“Legal and accounting activities”)

#### 2.1.1. Group M69.1 (“Legal and accounting activities”)

Proposal (Belgium; ID: 1443)

It is unclear to which code to assign a management company. This type of firm is not considered to be a separate judicial form. A management company is a company that agrees with another company to take on the management for this company. Instead of a natural person exercising a mandate as manager or director, the mandate is exercised by a management company.

A natural person is designated as “permanent representative” of the management company.

*EFCA COMMENT: not relevant for the consulting engineering industry.*

#### 2.1.2. Division M69 (“Legal and accounting activities”)

Proposal (Italian Confindustria Servizi Innovativi e Tecnologici: ID: 1784)

Change the title of Section M to “Activities and services enabling innovation processes”. This Section should include activities and services for the creation of innovative products, processes and people. They are a substantial part of the EU economy, they are fundamental in the digital transformation processes of manufacturing but also of other sectors and of the economy, as well as of public administration.

Introduce a new Division “Information technology” containing Division M62 and Group 63.1 which are currently part of Section J (“Information and Communication”).

An update of activities classified in Divisions 62 and 63 should be envisaged, including cloud activities and new platforms.

In summary:

- move the activities of Group M69.2 to Division M70 where a restructuring could be envisaged;
- change the title of Division M70 in order to include also management consultancy activities towards public administration
- the following Groups could be set up:
  - M70.1: Activities of head offices (title could be improved);
  - M70.2: Management consultancy activities;
  - M70.3: Environmental and security/safety consulting activity (now in Class M74.90);
  - M70.4 Accounting, bookkeeping and auditing activities; tax consultancy (now in Group/Class M69.2).

Add a new Group in Division P85 by taking out some of the activities which are currently classified under Class P85.59 and which refer to professional training of human resources: the idea is catching

all activities which aim to transferring know-how (from largest to smaller enterprises) and training activities aimed at fostering the use of new technologies.

Move “Testing, inspection and certification (TIC) services” from Group M71.2 and create a new Group in Division M71. The TIC sector, internationally defined, consists of conformity assessment bodies who provide services ranging from auditing and inspection, to testing, verification, quality assurance and certification.

Division M73 could be restructured into Groups in the following way:

- M73.1 (“Public relations and communication activities”), now Class M70.21;
- M73.2 (“Market research and public opinion polling”)
- M73.3 (“Advertising agencies”) In addition, the following activities should be taken into account: web agencies, web developers, digital creative agencies, web marketers, all activities which integrate software and digital skills, design and communication.
- M73.4 (“Communication”). The following activities should also be part of this division: other information service activities (now Group M63.9), activities of graphic designers, activities of graphic designers of web pages and other graphic designers’ activities.

Create a new NACE Division for “Integrated services - technical and support - to business activities” articulated into the following groups:

- Group 1 – containing the activity of facility management: combined facilities support activities and all related activities to manage space, people and processes (now Group 81.1 to be enriched with the integrated management of all no-core business processes).
- Group 2 – including all “energy efficiency services” for all those enterprises which undertake energy diagnosis through the use of new digital technologies and software in order to identify and make available the best feasible interventions aimed at energy efficiency: technical, commercial and financial services. These activities are currently unclassified and included in the Section D or in Class M74.90
- Group 3 – a new group (management and maintenance activities of technological networks) containing various activities which are currently classified in other codes such as repair and maintenance of electronic instruments and equipment (except telecommunications and computers), installation of optical measuring and checking devices and instruments, data processing activities.

Create a new Division “Professional, financial, organisational and business support services”:

- M74.1 (“Factoring services”)
- M74.2 (“Collection of payments for claims”)
- M74.3 (“Providing translation and interpretation activities”)
- M74.4 (“Organisation of conventions and trade shows”)
- M74.5 (“Office administrative and support activities”), now Group 82.1
- M74. 6 (“Activities of call centres”), now Group/Class 82.2.

## Reasoning

The deep transformation of industrial processes and the progressive service-provision have strongly transformed the way of doing business and determined in recent years the emergence of new activities related to innovative services that are not classified in NACE Rev. 2 or that are classified only marginally and are included in sectors which are not the most suitable ones.

In a process of revision of NACE, we believe that it is now essential to make important updates related to the development framework that has affected - and that is still in progress - the entire service sector, especially innovative services, new technical services and business support activities. The digital transformation has created new business models and new service activities and has determined relevant movements within the framework of the previous 2007 classification.

In particular, the Federation proposes to:

- expand and re-define Section M to include all service activities that enable innovation processes within enterprises, both in the manufacturing and services sectors, as well as public administrations: Information Technology, Legal Services, Consulting, Training, Engineering, Testing-Inspection-Certification, Scientific Research, Communication, Integrated services - technical and support services - for business activities, Professional, financial, organisational and business support services, Other professional, technical and support services n.e.c.
- include in Section M the Information Technology services which enable all innovation processes and are common to other knowledge intensive services such as consulting, communication, engineering, management of integrated services and so on.
- work on the reorganisation of Division M74 (“Other professional, scientific and technical activities”) by reallocating certain activities already classified therein and including other activities differently classified.
- allocating certain activities already classified therein and including other activities differently classified.

The idea is organising Division M74 in the following groups:

- introduce a new “Integrated Services” Division - technical and support - to the business activities that arise from the processes of integration of traditional service activities, use of new technologies and digitisation;
- introduce a new “Professional, Financial, Organisational and Business Support Services Division”: activities that provide business support services, i.e., integrated into the business activity and currently classified in Sections J, M and N;
- introduce a new residual division, “Other professional, technical and support services n.e.c.”, that contains all residual activities of Division M74 (“Activities and services enabling innovation processes”) make it possible:
  - to develop new information systems for acquisition and management, based on the needs of end users;
  - to develop design and testing systems for new products and processes that integrate the supplier and the end user;
  - to develop new services to be integrated with the products and processes;

- to develop innovative materials using the new technologies available;
- to develop new business models in line with the opportunities offered by the global market.

*EFCA COMMENT: How and to what extent the investment in innovation should be captured by National Accounts is an important issue for consulting engineers. This is because the investment creates a significant demand for consulting engineering services. These wide-ranging proposals aim to separate innovation from other business activities. Implementation will be difficult and costly. Accounting for innovation as part of normal activities is preferred. The recommendation is indicate the importance of the considerations, but not to require reporting according to NACE Classes.*

### **2.1.3. Class M69.10 (“Legal activities”)**

Proposal (European Council of the Liberal Professions; ID: 2017)

In the Group M69.1 and Class M69.10, it would be appropriate to add:

- Class M68.32 (“Management of real estate on a fee or contract basis”);
- Class M74.90 (“Patent brokerage activities”), i.e., arranging for the purchase and sale of patents.

#### Reasoning

The reason is that it is a Class carried out by the property manager, a liberal profession. The result would be a new Class M69.11 (“Management of real estate”).

*EFCA COMMENT: Class M68.32 is an area of economic activity for consulting engineers, but is relatively small. Creating a new Class is probably useful given the increasing importance of this activity. The recommendation is support a new Class but somehow not to treat this activity as a purely legal activity, perhaps by stressing that the professionals involved are not necessarily lawyers.*

### **2.1.4. Class M69.10 (“Legal activities”)**

Proposal (France; ID: 277)

Split Class M69.10 into:

- legal advisory and representation service
- notarial activities
- bailiffs’ activities
- other legal activities
- other legal activities

#### Reasoning

The turnover of the Class amounts to bEUR 22 in France. Orders of magnitude (Turnover / Salaried workforce): legal advisory and representation service (54% / 49%); notarial activities (32% / 35%); bailiffs’ activities (10% / 11%); other legal activities (4% / 5 %).

*EFCA COMMENT: not relevant for the consulting engineering industry.*

### **2.1.5. Group M69.2 (“Accounting, bookkeeping and auditing activities; tax consultancy”)**

Proposal (European Council of the Liberal Professions; ID: 2018)

New Class proposed: Class M69.21 (“Representation activities before public administration and advice on private and public matters”).

- representation activities before public administration and advice on private and public matters;
- add from Class M69.20: “Preparation of personal and business income tax returns” and “Advisory activities and representation on behalf of clients before tax authorities”.

*EFCA COMMENT: largely not relevant for the consulting engineering industry. The only issue may be activities related to the non-financial auditing physical assets such as buildings and infrastructure. The recommendation is to indicate to Eurostat that with this possible exclusion, the consulting engineering industry supports the proposal.*

## **2.2. Division M70 (“Activities of head offices”)**

### **2.2.1. Group M70.1 (“Activities of head offices”)**

Proposal (United Kingdom, ID: 100)

Add a Class-level breakdown to indicate the main activity of the NACE Group for which the head office is acting:

- 70.1X (“Activities of agricultural head offices”)
- 70.1X (“Activities of production head offices”)
- 70.1X (“Activities of construction head offices”)
- 70.1X (“Activities of distribution head offices”)
- 70.1X (“Activities of financial services head offices”)
- 70.19 (“Activities of other head offices”)
- Alternatively: 70.1x (“Activities of non-financial corporations head offices”)
- 70.1x (“Activities of financial corporations head offices, etc”)

Change the name of the Class M70.10 to “Head office services”

#### Reasoning

ESA 2010 (2.14a) states: Head offices are allocated to the dominant non-financial corporations sector of their subsidiaries, unless all or most of their subsidiaries are financial corporations, in which case they are treated as financial auxiliaries (S.126) in the financial corporations sector. Having distinct NACE codes for head offices managing groups of different activities would make it simpler to allocate activity to the correct institutional sector and assist with survey sampling and data collection.

*EFCA COMMENT: separating head office and business/corporate activity is a long-standing problem for National Accounts. This proposal is one among many to have a better picture of where economic activity is taking place. But once again, it will probably be difficult and costly to implement because head offices generally act for activities classified under several NACE Groups. The recommendation is not to support the proposal.*

### **2.2.2. Group M70.2 (“Management consultancy activities”)**

Proposal (SMEunited; ID: 1124)

Merge public relations with advertising so that public relations is a Class in the Group M70.2 (“Management consultancy activities”)

Move Class 70.21 (“Public Relations and communication activities”) from Group M70.2 and assign it as a separate Group M73.3 to Division M73 (“Advertising and market research”). In the process of merging public relations with advertising, it is proposed to rename Division M73 (“Advertising and market research”) to “Advertising, market communication and public relations”.

## Reasoning

Public relations (PR) agencies advise and support companies, organisations and individuals in gaining public trust and support as well as in exchanging with directly or indirectly affected segments of the public. The goals of public relations are to attract attention and interest, to increase awareness, to build up image profiles, to supervise decision-making processes and to deal with conflicts and crises. Its main activities include strategy development and planning of internal and external communication of companies and organizations, in particular corporate identity programmes, corporate mission statements, image surveys, quantitative and qualitative target group analyses, integrated communication concepts and individual PR measures.

Public relations agencies focus on the communication aspect in their services (e.g., laundry detergents producer's PR approach to environmentally friendly laundry detergents, policy concept for a political party, and corporate crisis PR). This distinguishes the professional group from the business consultants, where the whole company and the corporate organization is in focus.

*EFCA COMMENT: not relevant for the consulting engineering industry.*

### **2.2.3. Class M70.21 (“Public relations and communication activities”)**

Proposal (United Kingdom; ID: 2099)

Move Class M70.21 (“Public relations and communication activities”) to Group M73.1 (“Advertising”).

## Reasoning

To better reflect business services and that advertising and PR companies often overlap.

*EFCA COMMENT: some consulting engineering firms may take the trouble to report their advertising and publications relations activities to national statistics agencies. Grouping these will probably make life easier. The recommendation is to support the proposal.*

### **2.2.4. Class M70.21 (“Public relations and communication activities”)**

Proposal (Association des Agences-Conseils en Communication; ID: 1918)

Communication activities classified in Class M70.21 are described as “the provision of advice, guidance and operational assistance”. Definition of “operational assistance” is not clear. The AACC Federation does not distinguish between advertising activities and for example “brand, company or reputation communication actions”.

## Reasoning

We observe increasingly blurred boundaries between advertising and communication activities. The AACC Federation proposes:

- to include in Division M73 brand, company or reputation communication actions;
- to change the title of Division M73 to “Communication, advertising and market research”;

- to precise the explanatory notes (advertising branding and marketing, commercial communication, corporate communication, etc.).

Unless “brand, company or reputation communication actions” is to be classified in Class M70.21.

*EFCA COMMENT: given the comment above for 2.2.3, the recommendation is to support any further grouping of advertising, communication and PR activities.*

### **2.2.5. Class M70.22 (“Business and other management consultancy activities”)**

Proposal (Slovenia; ID: 1349)

The content of activity M70.22 (“Business and other management consultancy activities”) seems to be too extensive and we have many companies registered in it (more than 12000). We therefore propose to exclude and create two new Classes from this activity:

- M70.22 (“Financial management consulting services, except corporate tax”)
- M70.23 (“Human resources management consulting services, including safety at work”)
- M70.24 (“Other business and management consultancy activities”)

#### Reasoning

The content or explanations are too loose. They are to be supplemented.

*EFCA COMMENT: largely not relevant for the consulting engineering industry.*

### **2.2.6. Class M70.22 (“Business and other management consultancy activities”)**

Proposal (European Council of the Liberal Professions; ID: 2019)

To add to Class M70.22 from Class M74.90: business brokerage activities, i.e., arranging for the purchase and sale of small and medium-sized businesses, including professional practices, but not including real-estate brokerage.

*EFCA COMMENT: largely not relevant for the consulting engineering industry.*

### **2.3. Division M71 (“Architectural and engineering activities; technical testing and analysis”)**

#### **2.3.1. Division M71 (“Architectural and engineering activities; technical testing and analysis”)**

Proposal (European Council of the Liberal Professions; ID: 2020)

Restructure Division M71 as follows:

- change title of Division M71 to “Architectural and engineering activities”;
- restrict Group M71.1 only to “Architectural activities”;
- create Class M71.10 for “Architectural activities”;
- move “activities of quantity surveyor carried out by the architectural professions” from Class M74.90 to Class M71.10;
- create a new Group M71.2 (“Engineering activities and related technical consultancy”)
- create a Class under this Group corresponding to the present Class M71.12:
  - moving into this Class:
    - “ industrial design, i.e., creating and developing designs and specifications that optimise the use, value and appearance of products, including the determination of the materials, mechanism, shape, colour and surface finishes of the product, taking into consideration human characteristics and needs, safety, market appeal in distribution, use and maintenance from Class M74.10
    - “agronomy consulting” and “ activities of quantity surveyors carried out by the engineering professions” from Class M74.90
  - and remove from this Class:
    - geophysical, geologic and seismic surveying
    - hydrologic surveying activities

*EFCA COMMENT: proposals to adjust NACE Division M71 are of major concern for the consulting engineering industry. Concerning reorganisation of the Division, this is one among a number of proposals that will be analysed separately and is in principle supported pending a review of the various proposals. Regarding specific proposals for Classes: moving industrial design, agronomy and quantity surveying into Group M71.1 is not recommended; removing geophysical and hydrological surveying is not recommended.*

#### **2.3.2. Division M71 (“Architectural and engineering activities; technical testing and analysis”)**

Proposal (EC\_Education, Youth, Sport and Culture Directorate General; ID: 686)

Create a new Class: “Architectural conservation activities”.

##### Reasoning

Architectural conservation activities is an important economic activity to be separately investigated.

*EFCA COMMENT: “architectural conservation” is poorly defined. The proposal is not recommended.*

### **2.3.3. Division M71 (“Architectural and engineering activities; technical testing and analysis”)**

Proposal (Germany - trade / economy association; ID: 1656)

Create a separate Group M71.9 (“Study and measurement of environmental indicators - Soil, air and water pollution”).

#### Reasoning

Activities of the environmental protection economy should get a separate Class.

*EFCA COMMENT: EFCA proposed that environmental engineering should be included in M71.12 as inclusions (“environmental engineering: site engineering, noise abatement engineering, health and safety engineering, resource management engineering) and excluded from the catch-all Class 74.90 (“Other professional, scientific and technical activities n.e.c”) as these types of services are increasingly more important in their own right. This proposal from Germany supports the EFCA proposal and in fact goes further by saying environmental engineering should have a separate class. Whether or not the consulting engineering industry is able to report these activities as a separate Class reliably and without too much overhead is unclear. The proposal is in principle recommended but needs consideration in the light of a comprehensive overview of M71 proposals and activities. See the separate discussion on the structuring of M71.*

### **2.3.4. Division M71 (“Architectural and engineering activities; technical testing and analysis”)**

Proposal (Estonia; ID: 89)

Add a new Group “Architectural activities”.

#### Reasoning

Proposal makes cultural economic activities extractible on Group level of NACE according to ESSNet Culture final report and UNESCO FCS 2009.

*EFCA COMMENT: adding a cultural dimension to architecture further complicates the discussion about how architecture and engineering should be classified and organised under Division M71, partly because engineering is not perceived as having an equivalent cultural dimension. In general, the proposal is not recommended.*

### **2.3.5. Group 71.1 (“Architectural and engineering activities and related technical consultancy”)**

Proposal (Spain; ID: 1701)

Add two new Classes related with energy efficiency to Group M71.1:

- M71.13 (“Engineering and architectural activities and related technical consultancy related with environmental services”). This Class would include construction of waste treatment plants, sewage systems, drip irrigation systems, rainwater harvesting, water network repairing, and renewable energy plants construction.

- M71.14 (“Engineering and architectural activities and related technical consultancy related with energy efficiency”). This Class would include residential and non-residential building reconditioning to improve their energy efficiency, energy efficiency services for new buildings with high efficiency certificate.

### Reasoning

NACE includes under Classes M71.11 and M71.12 some services considered at the production frontier

*EFCA COMMENT: this proposal expands upon the EFCA proposal (to have inclusions and exclusions) and the German proposal above (see 2.3.3) to have an environmental engineering Class by proposing two new Classes for specific areas of environmental engineering. Probably the best solution is to propose a single new Class that includes, via specific inclusions, the activities referred to in the FIDIC inclusions, the German proposal and this Spanish proposal. The recommendation is to support the proposal on the understanding that the structure of M71 will be reviewed in the light of the various proposals. See a separate forthcoming review of the structure of Group M71..*

### **2.3.6. Class M71.12 (“Engineering activities and related technical consultancy”)**

Proposal (European Federation of Engineering Consultancy Associations, 1220)

Add to Class M71.12: “Engineering and engineering design of prefabricated prefinished volumetric construction modules”

### Reasoning

Missing from the manufacturing/construction value chain for construction using prefabricated modules are key engineering design activities as well as the integrated engineering activities. The proposal for a NACE M71.12 Class inclusion “engineering and engineering design for prefabricated prefinished volumetric construction modules” rectifies the anomaly and provides a coherent treatment of integrated engineering services. Given that 1% of the EU28’s buildings other than dwellings are constructed using prefabricated modules, an annual turnover of EUR 1.1 billion.

*EFCA COMMENT: Eurostat seems to agree that this activity should not be classified under Section F (“Construction”). Clearly, this proposal must be supported by the consulting engineering industry. It hopefully signals that other integrated design activities in construction (e.g., the very important engineering activities in turnkey construction projects) will be treated in a similar way. This needs to be verified by establishing what is being proposed for Section F (“Construction”).*

### **2.3.7. Class M71.12 (“Engineering activities and related technical consultancy”)**

Proposal (European Federation of Engineering Consultancy Associations; ID: 1227)

Expand surveying categories to include “photogrammetric”. Since photogrammetric surveying is possibly included under aerial photography that is classified under Class M74.20 (“Photographic activities”), we propose to add it to the exclusions of Class M74.20 in order to avoid any confusion.

## Reasoning

NACE currently presents a complicated classification of location dependent (e.g., underground, seabed, underwater, aerial) inspection-type activities (e.g., drilling, tunnelling, diving inspection, surveying, and manipulation). Various activities that were traditionally carried out by operators are increasingly consolidated and integrated into integrated “one-stop shop” engineering services that are supplied to operators of survey, drilling, tunnelling, and manipulation equipment.

*EFCA COMMENT: support is recommended.*

### **2.3.8. Class M71.12 (“Engineering activities and related technical consultancy”)**

Proposal (European Federation of Engineering Consultancy Associations; ID: 1216)

Class M71.12 modification (words in capitals added): “WATER SUPPLY, WASTE WATER TREATMENT, STRUCTURAL ENGINEERING, OFFSHORE & ONSHORE MARINE ENGINEERING, HEALTH & safety to “project elaboration ...” and to consulting activities for project elaboration ...”

## Reasoning

Several major areas of engineering activity (in CAPITALS) are missing. The EU28 annual turnover increased by the proposed changes is 1% of infrastructure demand, including renovation and maintenance, amounting to EUR 1.2 billion.

*EFCA COMMENT: support is recommended.*

### **2.3.9. Class M71.12 (“Engineering activities and related technical consultancy”)**

Proposal (European Federation of Engineering Consultancy Associations; ID: 1219)

Add inclusions in NACE M71.12: “engineering design activities for:

- manufacturing processes and production;
- the marine and coastal environment;
- nature-based infrastructure;
- building information modelling and related systems implementation and operation for buildings, civil engineering works and industrial plant”

## Reasoning

The rationale for each of the inclusion proposals builds upon Class M71.12 in the context of:

- the important engineering design activities in manufacturing and proposals to create a set of “aligned design activities” for Class M74.10.

Engineering design activities in manufacturing: the proposed M71.12 Class inclusion “engineering design activities for manufacturing processes and production” recognises that engineering design activities are a core component of many manufacturing activities.

- marine and coastal activities, the so-called “blue” activities covered in part by Group A03.2 (“Aquaculture”) relating to “techniques designed to increase the production of ....”;

Marine and coastal engineering design activities Class M71.12 services are a core component of the blue economy. It is therefore proposed to include “engineering design activities for the marine and coastal environment” as a M71.12 Class, with corresponding exclusions elsewhere, if necessary.

- nature-based built environment activities covered in part by Division 81 (“Services to buildings and landscape activities”) relating to the “design of landscape plans and/or the construction (i.e. installation) of walkways, retaining walls, decks, fences, ponds, and similar structures”.

Nature-based engineering design activities - engineering activities for nature-based solutions (NBS) need to be classified under Class M71.12 because:

- these activities are already an important sector of economic activity;
- classifications will be incorporated into vital global programmes such as urban modelling (e.g., activity classifications for use with urban metabolism and climate change carbon stocktaking);
- Division N81 (“Services to buildings and landscape activities”) only alludes to NBS activities that have a narrow focus;
- the on-going extensive digitalisation of built environment sector value chain, of engineering activities in general and of engineering design activities in particular, will at some stage impact NBS.
- Aligned digital design categories. The inclusion of a M71.12 Class “building information modelling and related systems implementation and operation for buildings, civil engineering works and industrial plant” would allow the specialised issues related to the supply of digital-enabled design services in key areas of construction and manufacturing to be recognised.

Estimates for the EU28 annual turnover that would be classified under the various proposed Class M71.12 category inclusions are:

- manufacturing processes and production engineering design: EUR 5 billion
- marine and coastal environment engineering design: EUR 30 billion
- nature-based infrastructure engineering design: EUR 8 billion
- building information modelling: EUR 1.2 billion.

*EFCA COMMENT: EFCA’s proposals consolidate and extend the scope of the consulting engineering industry’s M71 activities under Class M71.12. These proposals call for specific inclusions and not for a new M71.1x Classes. In the absence of strong opinions by other respondents it is probably wise to keep to the proposal to have inclusions. The alternative would be to risk other sectors raising objections to having these new types of engineering services, especially those for nature-based solutions, proposed as Classes for dedicated services. Supporting the proposal “as is” is recommended.*

### **2.3.10. Class 71.12 (“Engineering activities and related technical consultancy”)**

Proposal (Norway; ID: 1771)

Split Class M71.12 Engineering activities and related technical consultancy:

- Civil engineering activities
- Geological surveying
- Chorographic map and surveying
- Other technical surveying

#### Reasoning

Many homogeneous enterprises in these fields.

*EFCA COMMENT: having separate Classes for Group M71.1 has been on the table for many years. The EFCA proposal above (see 2.3.9) that extends M71.1 into the newer areas of activity does not call for new Classes, partly because the areas of M71.1 activity are not “homogeneous” across the EU. It is recommended that Norway’s proposal is supported pending a review of the structure of Division M71 in the light of several proposals to restructure the Division. See a forthcoming review of the structure of Group M71.*

### **2.3.11. Class M71.12 (“Engineering activities and related technical consultancy”)**

Proposal (Croatian Employers’ Association, State geodetic Administration and Croatian Chamber of Economy; ID: 1536)

Further breakdown of activities – separate geodetic activities into separate class: Geodetic and geoinformatic activities.

*EFCA COMMENT: another new Class M71.1x/Group M71.x restructuring proposal. See a forthcoming review of the structure of Group M71.*

### **2.3.12. Class M71.12 (“Engineering activities and related technical consultancy”)**

Proposal (Germany, trade / economy association; ID: 1655)

Consulting services for environmental and climate protection/renewable energies are right now classified under Class M71.12 but should get a separate class.

*EFCA COMMENT: another new Class M71.1x/Group M71.x restructuring proposal similar to 2.3.3. See a forthcoming review of the structure of Group M71.*

### **2.3.13. Class M71.20 (“Technical testing and analysis”)**

Proposal (Poland; ID: 260)

The proposal of breaking down of Class M71.20 into:

- testing and measuring the quality of food;

- other technical testing and analysis.

### Reasoning

Due to the specific of testing and analysis of the quality of food, the proposal of isolating the independent class for such activity. This activity includes mainly testing of animals before the slaughter and their meats after the slaughter, which is conducted under veterinary supervision in slaughterhouse.

*EFCA COMMENT: some proposals call for the removal of Group 71.2 and Class M71.20 (“Technical testing and analysis”) from Division M71. Others , including this proposal, call for additional M71.2x Classes. The recommendation is not to support this proposal for a new M71.2x Class, but to support the proposal to remove Group M71.2 from Division M71.*

## **2.4. Division M72 (“Scientific research and development”)**

### **2.4.1 Division M72 (“Scientific research and development”)**

Proposal (France; ID: 343)

On the part of the Ministry of Research, we focussed on Division M72, entitled “Scientific Research and Development” and its two Groups M72.1 and M72.2, which are supposed to make it possible to distribute all areas of research, on the one hand in Research and experimental development on natural sciences and engineering (M72.1) and, on the other hand, in Research and experimental development on social sciences and humanities (M72.2).

This seems to us to be very restrictive, as are the only three classes that are then distinguished: Research and experimental development on biotechnology (M72.11), “Other research and experimental development on natural sciences and engineering” (M72.19) and “Research and experimental development on social sciences and humanities” (M72.20).

Moreover, it seems strange to us that the nomenclature focuses on R&D in biotechnology, which represents only about 10% of the research carried out in companies.

As far as research organisations are concerned, the quasi-dichotomy between R&D in the physical and natural sciences and R&D in the humanities and social sciences makes the classification of generalist organisations, such as the CNRS or the IRD, as our main financial organisation, the ANR, difficult (it should be noted that the CNRS, like the IRD are coded in 72.19 and the ANR in 72.20!) It is also surprising that areas of research such as health, environment or agriculture, for example, are not more visible in the current nomenclature.

The Frascati Manual 2015, which provides guidelines for collecting and reporting data on research and experimental development, prepared by OECD member countries, identifies three types of R&D: basic research, applied research and experimental development.

The Manual also provides, in the new French version published in 2016, a classification of R&D fields into six categories (Natural Sciences, Engineering and Technology, Medical and Health Sciences, Agricultural and Veterinary Sciences, Social Sciences and Human Sciences and Arts) and forty-two subcategories.

With regard to this classification of R&D fields, the authors also state: “In view of the current evolution of the ways in which R&D is carried out and the gradual emergence of new fields, the OECD classification of research and development fields will be subject to continuous review following the publication of this version of the Manual”.

The Inter-ministerial Mission for Research and Higher Education (MIREs) has 9 research programmes, which could also allow for a more precise classification of the different research areas (<http://www.enseignementsup-recherche.gouv.fr/cid61606/la-mission-interministerielle-recherche-etenseignement-superieur-mires.html>):

- Programme 142 - Higher education and agricultural research
- Programme 150 - Postgraduate Training and University Research

- Programme 172 - Multidisciplinary scientific and technological research
- Programme 186 - Cultural research and scientific culture (Ministry of Culture and Communication)
- Programme 187 - Research in the field of environmental and resource management
- Programme 190 - Research in the fields of sustainable energy, development and planning
- Programme 191 - Dual Research
- Programme 192 - Research and higher education in economic and industrial matters
- Programme 193 - Space Research

*EFCA COMMENT: recognising innovation in National Accounts is becoming increasingly more important, especially the investment in R&D as this reflects the effort being made to translate scientific and engineering understanding into valuable services and products. This French proposal argues for a more precise harmonised classification of the different areas or categories of scientific R&D.*

*The consulting engineering industry is active in several of the areas according to the narrow definition of scientific R&D activities (e.g., does not include the physical infrastructure such as buildings needed to carry out scientific R&D). However, the turnover in such activities is relatively small and decreasing and the industry is not expected to report its scientific R&D activity. Nonetheless the recommendation is to support the proposal in order to have a more precise classification.*

#### **2.4.2. Division M72 (“Scientific research and development”)**

Proposal (European Council of the Liberal Professions; ID: 2026)

NEW DIVISION PROPOSED: M72 (“Scientific activities; Test, analysis and technical applications”), as follows:

- Group M72.1 (“Technical testing and analysis”), currently Group M71.2 (“Technical testing and analysis”)
- Class M72.11 (“Technical testing and analysis”) currently Class M71.20 (“Technical testing and analysis”). Content of the current Class M71.20 plus “the realisation of physical and chemical tests” from Class M71.20.
- Class M72.12 (“Related technical consultancy”). This class would be composed of “geophysical, geologic and seismic surveying”, “hydrologic surveying activities” and “subsurface surveying activities” from the current Class M71.12.
- Class 72.19 (“Other scientific activities”). This class would be composed of “weather forecasting activities” and “environmental consulting” from the current Class M74.90 (“Other professional, scientific and technical activities n.e.c).

*EFCA COMMENT: this is another proposal to create new M71.2 classes for both more clarity and precision but also in this case to extend the scope of Group M72.20 activities. However, the proposal goes much further by also proposing the creation of a new M72 Division that takes in the environmental activities from Class M74.90 and surveying activities from Class M72.20. As discussed above and supported by other proposals, the recommendation is bring environmental*

*activities into Class M71.12 and to expand Class M71.12's surveying inclusions. It is strongly recommended not to support the proposal.*

### **2.4.3. Division M72 (“Scientific research and development”)**

Proposal (Trade / economy association, Germany; ID: 2007)

Biotechnology is encoded in many different groups. The individual activities related to biotechnology should be grouped in one class (for example, Classes M20.14, M37.00, M21.20 and M72.11).

#### Reasoning

Industrial biotechnology (known mainly in Europe as white biotechnology) is the application of biotechnology for industrial purposes. For example the biotechnological production of special and fine chemicals, food and food additives, agricultural and pharmaceutical precursors and numerous auxiliary materials for the processing industry as industrial biotechnology.

Red biotechnology, also known as medical biotechnology, covers the areas of biotechnology that deal with the development of therapeutic and diagnostic processes - from biochips for medical diagnostics and personalized medicine to drug production and gene therapy.

Green biotechnology is the branch of biotechnology that deals with plants (plant biotechnology).

Techniques used to optimize plant breeding.

*EFCA COMMENT: not relevant for the consulting engineering industry.*

### **2.4.4. Division M72 (“Scientific research and development”)**

Proposal (EC Environment Directorate General, F.1; ID: 650)

For scientific R&D, add a M72 Class for research for using secondary raw materials and on eco-design. There is some overlap between the two, with eco-design being the bigger set and the use of secondary raw materials is a (significant) subset of it. Nevertheless, in the longer-run they will converge and probably all eco-design will include certain level of recycled material too (as a requirement, or as simple practice).

#### Additional comment

Under Division M72 (“Scientific research and development”). This could appear together as e.g. Class M72.12 (Research and experimental development on eco-design”, including the use of secondary raw materials) or even better if separately with e.g., Class M72.12 (“R&D on eco-design”, in general, including R&D other than on the use secondary raw materials) and with Class M72.13 (“R&D on the use of secondary raw materials”). Probably some of this data is already available and included in CEPA 8 or CreMA 15 (i.e., R&D under environmental protection and resource management, respectively).

## Reasoning

Innovation in circular economy is a driver for change. The current indicators on circular economy do not cover R&D on circular economy and is limited to few sectors of circular economy.

*EFCA COMMENT: how to classify circular economy activity is clearly an emerging topic and the EFCA proposals to Eurostat envisaged simply extending activity in each area of activity to cover circular processes. However, in the area of scientific R&D activity, the EC is proposing the classification by Classes of circular economy/eco-design activity. The EFCA recommendation is to retain a situation that is parallel to the situation for circular economy activity outside scientific R&D by not have a classification by Classes. The recommendation therefore is not to support the proposal.*

### **2.4.5. Class M72.11 (“Research and experimental development on biotechnology”)**

Proposal (Denmark; ID: 384)

What is the point of Class M72.11? It is related to medical research so it should be merged with the current Class M72.19 (“Other research and experimental development on natural sciences and engineering”).

*EFCA COMMENT: not relevant for the consulting engineering industry.*

### **2.4.6. Class M72.19 (“Other research and experimental development on natural sciences and engineering”)**

Proposal (European Federation of Engineering Consultancy Associations; ID: 1223)

Change the title of Class M72.19 to “Other research and experimental development on natural sciences n.e.c.”.

## Reasoning

In the case of engineering activities, national account estimates, and indeed estimates in many other contexts, would be improved considerably if classes replaced the current NACE 72.19 categories, thereby mirroring NACE 72.11 (“Research and experimental development on biotechnology”).

First, it is proposed to add a new Class (say M72.12) that replaces Class 72.19 (“Research and development on engineering and technology”) and to include in the proposed M72.12 categories that mirror the current Class M72.12 as well as the additional 71.12 categories proposed above.

Adding a proposed Class 72.12 (“Research and engineering development on engineering”) with its category and sub-categories (see below) does not change the annual Division M72 turnover. However, EUR 60 billion would be classified under the proposed M72.12 class.

*EFCA COMMENT: it is recommended to support the proposal.*

#### **2.4.7. Class M72.19 (“Other research and experimental development on natural sciences and engineering”)**

Proposal (European Federation of Engineering Consultancy Associations; ID: 1224)

Inclusions in Class M72.12 (“Research and engineering development on engineering”) such that M72.12 class inclusions for “experimental development” list sub-categories corresponding to the current sub-categories and include the additional proposed M71.12 categories, to give: “this class includes experimental development on engineering:

- elaboration of projects using equipment
- geophysical, geologic and seismic surveying
- geodetic surveying
- project supervision
- integrated engineering
- manufacturing processes & production design
- building information modelling and related systems
- marine & costal environment design
- built environment ecosystems design
- prefabricated prefinished volumetric construction”

#### Reasoning

In the case of engineering activities, national account estimates, and indeed estimates in many other contexts, would be improved considerably if Classes replaced the current Class M72.19 categories, thereby mirroring the Class M72.11 (“Research and experimental development on biotechnology”). First, it is proposed to add a new Class (say M72.12) that replaces the current Class M72.19 (“Research and development on engineering and technology”) and to include in the proposed M72.12 categories that mirror the current Class 72.12 class as well as the additional Class M71.12 categories proposed above.

Adding a proposed Class M72.12 (“Research and engineering development on engineering”) with its category and sub-categories does not change the annual M72 turnover. However, EUR 60 billion would be classified under the proposed Class M72.12.

*EFCA COMMENT: it is strongly recommended to support the proposal.*

#### **2.4.8. Class M72.19 (“Other research and experimental development on natural sciences and engineering”)**

Proposal (trade / economy association, Germany; ID: 1657)

Comparing the share of classes of Division M72 in NACE with the share of European gross value added shows that this Division is under-represented. For this reason and because of the general importance of research activities it would make sense to split Class M72.19 into three different Classes. The employment figures for research and experimental development in Germany, for class M72.19, suggest a division into the following three Classes of similar size:

- M72.12 (“Research and experimental development on natural sciences”)
- M72.13 (“Research and experimental development on medical sciences, pharmaceutical sciences and health sciences”)
- M72.19 (“Research and experimental development on engineering, agricultural and other sciences n.e.c”)

*EFCA COMMENT: this proposal to create M72.1x Classes for natural sciences and for medical sciences runs in parallel with the EFCA proposal to create a M72.12 Class for engineering. Having a heavily classified sciences classification the same group as a lightly classified engineering classification is probably unworkable. If the German proposal is retained, the recommendation is to support a revised proposal based on having a new M72.3 Group for engineering.*

#### **2.4.9. Class M72.19 (“Other research and experimental development on natural sciences and engineering”)**

Proposal (United Kingdom; ID: 96)

Split Class M72.19 into:

- M72.12 (“Research and development on natural sciences”)
- M72.13 (“Research and development on engineering and technology”)
- M72.14 (“Research and development on medical sciences”)
- M72.15 (“Research and development on agricultural sciences”)
- M72.16 (“Interdisciplinary research and development, predominantly on natural sciences and engineering”).

#### Reasoning

To better measure the Life Sciences sector.

*EFCA COMMENT: this proposal to create new M72.1x Classes for the sciences supports the German proposal (see 2.4.6). However, as for 2.4.6, if this UK proposal is retained, the recommendation is to support a revised proposal based on having a new M72.3 Group for engineering with the proposed Class M72.16 predominantly for natural sciences (i.e., without engineering).*

## 2.5. Division M73 (“Advertising and market research”)

### 2.5.1. Class M73.11 (“Advertising agencies”)

Proposal (Slovenia; ID: 1458)

We suggest that in the NACE classification in Section M in Division M73 in Group M 73.1 (“Advertising”) that the Class M73.11 (“Advertising agencies”) is changed. This Class should be divided into two parts, so that the Group M73.1 would consist of three Classes: M73.11, M73.12 and M73.13. The current Class M73.11 should be split into two parts: one of them would cover creative activities in the field of advertising agencies and the other part would cover other activities in the field of advertising agencies. Thus, we would get a class within Group M73.1 that would be fully cultural. Such revision of the NACE Class M73.11 would lead to greater comparability of statistical data in the field of culture.

#### Reasoning

According to Eurostat statistical definition of culture in the framework of NACE Rev. 2, Class M73.11 (“Advertising agencies”) relates “partly to culture” - see, Guide to Eurostat culture statistics. 2018 edition, p. 13 and 122.

Therefore, in accordance to valid European definition of culture, the M73.11 class must be considered “partially”. In this regards estimates must be made for the cultural part. This significantly reduces (international) comparability of aggregated data for the field of culture.

Revision of NACE is an ideal opportunity to solve this problem.

Advertising is as cultural activity defined in the key UNESCO document referring to cultural statistics. In this document advertising is incorporated in statistical definition of culture even in a larger scale than in the above mentioned Eurostat definition: in UNESCO statistical definition of culture the complete class 7310 ISIC Rev. 4. is incorporated (accordingly also CPC 83611 and 83619). As a matter of fact, UNESCO included advertising in its framework after it recorded that 13 out of 14 international reviewed frameworks also included advertising within culture.

The ESSnet-Culture (working group that worked on European statistical definition of culture) indicated that Class M73.11 includes both the creation of advertisement and the ‘placing’ of this in media so advertisement indicators based on the NACE Rev. 2 can thus only be considered as partly cultural activities. It pointed out that advertising activities are a part of the core cultural domains on account of their real potentiality for artistic creation. The promoting aspect (i.e, marketing) would not be considered as a cultural activity. ESSnet-Culture also stated that the product classification, CPA 2008, offers the opportunity to delimit Class M73.11 somewhat by focusing on two classes of products: 73 11 11 (“Full service advertising services”) and 73 11 13 (“Advertising design and concept development services”). If the agreement on the new class within Group M73.1 would not be achieved, there is another option in order to achieve greater comparability of culture data. In this case advertising should be deleted from the statistical definition of culture within the statistical classification of NACE – or advertising agencies should be fully incorporated in this definition.

*EFCA COMMENT: not relevant for the consulting engineering industry.*

## **2.6. Division M 74 (“Other professional, scientific and technical activities”)**

### **2.6.1. Division M74 (“Other professional, scientific and technical activities”)**

Proposal (United Kingdom; 2102)

Create a new Group in Division M74 (“Building development and supporting activities”) by:

- moving environmental consulting and quantity surveying activities out of Class M74.90 (“Other professional, scientific and technical activities n.e.c”) combining with Group M41.1 (“Development of building projects”) and Class M71.11 (“Architectural activities”).
- renaming Division M71 (“Architectural and engineering activities; technical testing and analysis”) to ‘Engineering and technical testing services’.
- renaming Group M71.1 (“Architectural and engineering activities and related technical consultancy”) to “Engineering activities and related technical consultancy”.
- split Class M71.12 (“Engineering activities and related technical consultancy”) into:
  - M71.12 (“Engineering design activities for industrial process and production”)
  - M71.13 (“Engineering related scientific and technical consulting activities”)
  - M71.19 (“Other engineering activities”, not including engineering design for industrial process, production or engineering related scientific and technical consulting activities)

*EFCA COMMENT: this proposal for a new Group M74 (“Building development and support activities”) stems from the drive to classify what are considered to be new types of design activity in the areas of architecture and engineering (see also 2.3.1). EFCA’s position is that there are few new areas of activity but instead the application of new technologies in existing areas. So in general, the proposal to create a new Group M74 that covers architecture and engineering activities in addition to Group M71.1 is unnecessary. It is recommended not to support this aspect of the proposal.*

*In addition, the EFCA proposal is to consolidate Group M71.1 by incorporating environmental and quantity surveying to encourage consolidating of a broad range of engineering services (see 2.3.3), so this aspect of the proposal is not recommended.*

*Finally, moving Class M71.1 (“Architecture”) into a new Group M74 is unnecessary. It is recommended not to support this aspect of the proposal.*

*In general however, the proposal should be considered in the light of a review of the structure of Group M71.1.*

### **2.6.2. Group M74.1 (“Specialised design activities”)**

Proposal (United Kingdom; ID: 2101)

Expand explanatory notes and rename to better reflect content. Create additional classes for different types of consulting.

Reasoning

To better reflect business services.

*EFCA COMMENT: the recommendation is to support this proposal.*

### **2.6.3. Class M74.10 (“Specialised design activities”)**

Proposal (Croatia; ID: 67)

Further breakdown of activities – it could be useful to separate activities into four classes:

- Activities of industrial design
- Activities of interior design
- Activities of graphic design
- Other design activities

#### Reasoning

Every type of design involves different kind of activities and that companies are specialised for certain type of design and employ different occupations, therefore, it would be more transparent if we could have separated classes as proposed. Actually we have proposed the structure from CPA because we have a large number of units - 1074. The current Class is getting more important because of 3-D modelling, therefore, it would be nice if our proposal could be accepted.

*EFCA COMMENT: the creation of new classes for specialised design is justified if there are fundamental new activities with distinctive features and a quantifiable supply chain. Industrial and interior design concern the application of a broad range of methods and tools to specific areas of economic activity. Graphic design on the other hand is a descriptive term for certain types of methods and tools and should not be the basis for a Class classification.*

*The recommendation is to support a limited classification of Group M74.1 (“Specialised design activities”) into additional Classes as opposed to a more description classification of Class 74.10 (see 2.6.2) provided the classification is coherent and based on sound principles.*

### **2.6.4. Group M74.3 (“Translation and interpretation activities”)**

Proposal (DG Translation, DGT.01; ID: 466)

Split Group M74.3 (“Translation and interpretation activities”) into two Classes:

- M74.31 (“Translation activities”, except machine translation related activities)
- M74.32 (“Interpretation activities”)

#### Reasoning

Translation and interpretation activities are separate activities with distinct profiles and training, also the company structures are different. The previous SBS data shows that translation and interpretation activities can be separated. Support for our request can be found in, for example, German SBS data. Our proposal is common with DG SCIC covering translation activities (DGT) and interpretation activities (SCIC).

The global market for language services and technology will reach US\$ 49.60 billion in 2019, according to market research firm CSA Research, Europe being the largest part of the market. The industry's compound annual growth rate over the last 11 years was 7.76%. The economic activity is not concentrated but spread over different EU states as activities are carried out in different languages with their local and global markets.

*EFCA COMMENT: not relevant for the consulting engineering industry.*

### **2.6.5. Class M74.30 (“Translation and interpretation activities”)**

Proposal (EC DG Translation, DGT.01; ID: 494)

Add Class M74.33 for “Machine translation related activities”.

#### Reasoning

This Group would include activity-generating translation by machine and related activities, for example pre-editing, glossary compilation and data harvesting, post-editing, quality assurance and MT-engine training. The field is rapidly growing due to improvements and innovations in machine translation technologies, and it has taken over market segments from human-generated translation.

According to Nimzdi Language Technology Atlas, automated translation tools are growing rapidly, and they have listed over 400 tools in their study. The market has been growing steadily over the past 10 years, and the recent IDC study estimates European market for translation technologies to EUR 67M. Translation technology companies are spread over different EU states, operating with one or several language clusters, for example, Kantan MT (Ireland), DeepL (Germany), Translated (Italy), TILDE (Latvia).

*EFCA COMMENT: not relevant for the consulting engineering industry.*

### **2.6.6. Group M74.9 (“Other professional, scientific and technical activities n.e.c.”)**

Proposal (Confederation of European Security Services; ID: 1147)

We propose to create out of the current NACE Rev. 2 Group N80.1 a Class N80.11 focusing on guard and protection services, based on the already existing text in NACE Rev. 2 Group N80.1. Also, we recommend to move “security consulting” activities from Class M74.9 to this Class N80.11.

As part of a broadening of missions of private security companies, the activities mentioned should further include “Patrolling”, “Shop guards, doormen and department store detectives”, “Security training”, “Destroying data carriers with confidential information”, “Cash-in-transit services” and “Concierge and reception services”.

The future Class N80.11 on “guarding and protection services”, as part of Group N80.1 describing “private security services”, should as a consequence read as follows:

N80.1 (“Private security services”)

## N80.11 (“Guarding and protection services”)

This Class includes the provision of one or more of the following services: guarding and protection services; picking up and delivering money, receipts, or other valuable items with personnel and equipment to protect such properties while in transit; security training and consulting. This Class includes:

- Armoured car services
- Bodyguard services
- Polygraph services
- Fingerprinting services
- Security guard services
- Patrolling
- Shop guards, doormen and department store detectives
- Security training
- Destroying data carriers with confidential information
- Cash-in-transit services
- Concierge and reception services
- Risk analysis, security advice and consulting

This class excludes:

- public order and safety activities, see O84.24

### Reasoning

Even if manned guarding and mobile patrol services and transport of valuables (cash-in-transit) remain the bedrock of the sector, the range of services provided by private security companies is expanding: for instance, concierge and reception services, risk analysis, security consulting, security training, loss prevention, employee/background screening. Therefore, this should be included in this class. In NACE Rev. 2, N74.9 describes other freelance, scientific and technical activities - including security consulting. This is in our opinion inaccurate. Security consulting requires specialized skills in the field of personal security and security, which are typically only available in security services companies. Security consulting is a core competency of these companies, it belongs to the portfolio of each company and should therefore be grouped into the classification 80.11.

Turnover: The nominal value of turnover generated by private security services has grown considerably since 2000 - a direct consequence of the broadened scope of missions of private security companies. Eurostat data indicate that total (nominal) turnover increased by a factor of 2.3 between 2000 and 2016. For the whole EU, turnover growth rates in the period following the onset of the financial and economic crisis were modest and erratic. However, nominal turnover is estimated to have grown by more than 6 % between 2014 and 2015 and by a further 8 % in 2016. Increase in employment: EU employment in private security services increased rapidly between 2000 and 2008, with an average annual growth rate of just below 5 % - also due to the broadened scope of missions of private security companies. Between 2009 and 2015, employment remained stable, although the most recently available data for 2016 show an increase of 4 % compared to

2015. Further CoESS data on this matter can be found on <https://coess.org/newsroom.php?page=facts-and-figures>

*EFCA COMMENT: there is a significant volume of security-related engineering design, construction and management system activities that are supplied by the consulting engineering industry. This proposal seeks to move all “security consulting” activities from Class M74.9 (“Other professional, scientific and technical activities”) to new Class N80.11. The recommendation is to support this proposal provided security-related services other than those needed to operate security systems (see list in the proposal) are incorporated into a new Class in Groups 80.1 or 74.9.*

#### **2.6.7. Class M74.90 (“Other professional, scientific and technical activities n.e.c.”)**

Proposal (United Kingdom; ID: 2087)

Move artists agents out of Class M74.90 (“Other professional, scientific and technical activities n.e.c.”) and create a separate class for them. Possibly a new Group is required, or the new Class to be included within Group M74.9 (“Other professional, scientific and technical activities n.e.c.”).

##### Reasoning

Artists agents do not appear to fit well in M74.90.

*EFCA COMMENT: not relevant for the consulting engineering industry.*

#### **2.6.8. Class M74.90 (“Other professional, scientific and technical activities n.e.c.”)**

Proposal (France; ID: 2000)

Create a NACE Class for “activities performed by agents or agencies on behalf of individuals and usually consisting of obtaining their recruitment in films, theatrical productions, other shows or sports events and to place books, plays, works of art, photos, etc. at publishers, producers, etc.” (part of CPA 74.90.20). (Maybe just a new CPA heading would be sufficient).

##### Reasoning

Concerning the problems relating to the misidentification of the activities of digital actors, there are classes in which we find easily recognizable companies with a strong cultural dimension (but today systematically ignored in economic or professional studies, because of their NACE class).

*EFCA COMMENT: not relevant for the consulting engineering industry.*

## **2.7. Division M75 (“Veterinary activities”)**

### **2.7.1. Division M75 (“Veterinary activities”)**

Proposal (European Council of the Liberal Professions; ID: 2036)

NEW DIVISION PROPOSED as follows:

- Division M89 (“Veterinary activities”)
- Group M89.0 (“Veterinary activities”)
- Class M89.00 (“Veterinary activities”)
- Add to it the contents of Division M75.
- Also, add to the contents from Class M71.20:
  - testing activities in the field of food hygiene, including veterinary testing and control in relation to food production.
- Change the title of Section Q to “Health activities and social services”

### **2.7.2. Division M75 (“Veterinary activities”)**

Proposal (Slovenia; ID: 51)

We propose establishing of three Classes for veterinary activities (now Class M75.00) as follows:

- Division M75 (“Veterinary activities”)
- Class M75.10 Livestock (breeding in agriculture)
- Class M75.20 Aquaculture
- Class M75.30 Other domestic animals or pets

The emphasis is on dividing costs for livestock in agriculture and for domestic animals, which do not have anything in common with farming in agriculture.

### **2.7.3. Division M75 (“Veterinary activities”)**

Proposal (Turkey; ID: 1718)

Split in two as: veterinary activities for pets and veterinary activities for farm animals.

#### Reasoning

This is important for calculating indicators for service sector statistics.

EFCA

10 August 2020

For information: peter@peterboswell.com