

ECPC Responses to Public Comments

ECPC Responses to Public Comments on ECPC Recommended NAICS Updates for 2022; Update of Statistical Policy Directive No. 8, Standard Industrial Classification of Establishments; and Elimination of Statistical Policy Directive No. 9, Standard Industrial Classification of Enterprises – July 2, 2021, *Federal Register* Notice

The Economic Classification Policy Committee (ECPC), chartered by the Office of Management and Budget (OMB), received 29 public comments in response to information presented in the July 2, 2021, *Federal Register* notice (86 FR 35350-35365). The public comments submitted in response to the July 2, 2021, *Federal Register* notice are available on www.regulations.gov.

The ECPC reviewed the comments, guided by the NAICS classification principles (provided below) and with consideration of impacts on trilateral NAICS agreements with Canada and Mexico. NAICS was designed and developed solely for statistical purposes. Although NAICS may be used for other purposes, these purposes play no role in its development or revision.

This document provides a response to each comment. Where applicable, the responses cite at least one NAICS classification principle or trilateral NAICS agreement that would be disrupted if the recommendation were to be accepted, but do not necessarily cite all reasons for not accepting a recommendation. Some recommendations were outside the scope of the NAICS revision.

NAICS Classification Principles

1. NAICS is erected on a production-oriented conceptual framework. This means that producing units that use the same or similar production processes are grouped together in NAICS.
2. NAICS gives special attention to developing production-oriented classifications for (a) new and emerging industries, (b) service industries in general, and (c) industries engaged in the production of advanced technologies.
3. Time series continuity is maintained to the extent possible.
4. The system strives for compatibility with the two-digit level of the International Standard Industrial Classification of All Economic Activities (ISIC, Rev. 4) of the United Nations.

By Proposal Number

USBC-2021-0004-0001 North American Industry Classification System--Revision for 2022; Update of Statistical Policy Directive No. 8, Standard Industrial Classification of Establishments; and Elimination of Statistical Policy Directive No. 9, Standard Industrial Classification of Enterprises

Proposal USBC-2021-0004-0001 identifies the July 2, 2021, Federal Register notice (86 FR 35350-35365).

USBC-2021-0004-0002 Sector 44-45 Retail Trade - Internet as Industry Distinction

Proposal USBC-2021-0004-0002 states that removing the Internet as an industry distinction for Retail Trade 'would make economic statistics significantly less useful for land use planning, transportation planning, and commercial real estate' because store and e-commerce activities take place in

different types of buildings and generate different types of trips (truck trips versus household trips). The comment also speculates that there is misreporting of employment for retail e-commerce, based on a comparison of growth in nonstore retailing and store retailing.

The ECPC maintains its recommendation to remove the Internet as an industry distinction for Retail Trade, given the increasing prevalence of omni-channel distribution and variations in reporting patterns. Additionally, the current store and nonstore distinctions can result in misleading data comparisons and uses, due to the inclusion of retail e-commerce data in both retail store and nonstore industries. The ECPC proposes no further changes.

USBC-2021-0004-0003 No sector specified – Cannabis

Proposal USBC-2021-0004-0003 broadly states support for adding cannabis. The ECPC sees no specific comments for its response and proposes no further changes.

USBC-2021-0004-0004 No sector specified - Recreational and Medical Marijuana Markets and Programs

Proposal USBC-2021-0004-0004 supports creation of a new federal agency responsible for tobacco, marijuana, and alcohol products regulation and data programs. The ECPC regards this recommendation as outside the scope of the NAICS revision and proposes no further changes.

USBC-2021-0004-0005 No sector specified - Laws of Marijuana

Proposal USBC-2021-0004-0005 expresses support for legalizing marijuana. The ECPC regards this recommendation as outside the scope of the NAICS revision and proposes no further changes.

USBC-2021-0004-0006 Various – Hemp Industries

Proposal USBC-2021-0004-0006 proposes numerous additions to NAICS for hemp industries across eight NAICS sectors, comments on Small Business Administration business categories, and requests to harmonize NAICS codes with World Customs Organization Harmonized Tariff codes. The ECPC regards these either as new proposals rather than comments on recommendations in the July 2, 2021, Federal Register notice, or as outside the scope of the NAICS revision. The ECPC proposes no further changes.

USBC-2021-0004-0007 Sector 92 Public Administration – Public Health Administration

Proposal USBC-2021-0004-0007 asks that the NAICS code for public health administration, 923120, be used in all Census Bureau, Bureau of Labor Statistics (BLS), and other workforce research, with interagency collaboration to collect and present accurate annual data on the public health workforce, including occupations and salaries. The ECPC regards this request on NAICS implementation in the statistical system as outside the scope of the NAICS revision and proposes no further changes.

USBC-2021-0004-0008 Sector 44-45 Retail Trade - Internet as Industry Distinction

Proposal USBC-2021-0004-0008 comments on the importance of data on retail e-commerce and supports either retaining the Internet as an industry distinction in NAICS or assigning other indicators or ancillary codes.

The ECPC maintains its recommendation to remove the Internet as an industry distinction for Retail Trade, given the increasing prevalence of omni-channel distribution and variations in reporting patterns. Additionally, the current store and nonstore distinctions can result in misleading data comparisons and uses, because retail e-commerce data are included in both retail store and nonstore industries. Implementation of other indicators or ancillary codes are supported by the ECPC but outside the scope of the NAICS revision. The ECPC proposes no further changes.

USBC-2021-0004-0009 Sector 51 Information - Internet as Industry Distinction

Proposal USBC-2021-0004-0009 expresses support for grouping Internet news and periodical publishers with other similar publishers, regardless of their product delivery mechanism. The ECPC acknowledges this feedback and proposes no further changes.

USBC-2021-0004-0010 No sector specified – Extension of Public Comment Period

Proposal USBC-2021-0004-0010 requests a 30-day extension to the public comment period specified in the July 2, 2021, Federal Register notice. The ECPC supports the public comment period established with the Office of Management and Budget within the broader schedule for the 2022 NAICS revision and proposes no further changes.

USBC-2021-0004-0011 Sector 56 Administrative and Support and Waste Management and Remediation Services - Background Screeners

Proposal USBC-2021-0004-0011 requests the ECPC to reconsider its recommendation to modify the title and definition of NAICS Industry 561611 to clarify the classification of background screening services in NAICS and repeats the request to establish a new NAICS industry, proposed as NAICS 561460, for the background screening profession.

No supplemental information is provided in this request to prompt ECPC reevaluation for a new NAICS industry for background screening services. As stated in the ECPC recommendation for USBC-2020-0004-0002 in response to the February 26, 2020, Federal Register notice comment, the creation of a new industry would disrupt trilateral agreements for Industry Groups 5614, Business Support Services, and 5616, Investigation and Security Services, and require full renumbering of eight NAICS industries and 15 NAICS United States industries. As an alternative source of data, the North American Product Classification System (NAPCS) identifies a separate trilateral product, 44102030103, for background checks. The ECPC proposes no further changes.

USBC-2021-0004-0012 Sector 11 Agriculture, Forestry, Fishing and Hunting – Growing Marijuana

Proposal USBC-2021-0004-0012 requests a new industry split out of NAICS 111419, Other Food Crops Grown Under Cover, for marijuana growing, and states that corresponding data are crucial to state agency safety regulations.

Although NAICS may be used for regulatory purposes, these purposes play no role in its development or revision. The ECPC continues to support providing clarification for the classification of agricultural activities for cannabis and hemp through the addition of Corresponding Index Entries, and the ECPC recommends no further changes.

USBC-2021-0004-0013 No Sector Specified - Marijuana Industry

Proposal USBC-2021-0004-0013 broadly states support for NAICS to allow for identification of establishments in the marijuana industry, for use in states where it is legal.

No supplemental information is provided in this request to prompt ECPC reevaluation for new NAICS industries for marijuana. The ECPC continues to support its recommendation creating a new industry, NAICS 459991, "Tobacco, Electronic Cigarette, and Other Smoking Supplies Retailers" for use by cannabis retailers. The ECPC also supports providing clarification for the classification of agricultural and wholesaling activities for cannabis and hemp, and clarification for the classification of manufacturing, wholesaling, and retailing activities for cannabidiol (CBD oil) through the addition of Corresponding Index Entries. The ECPC recommends no further changes.

USBC-2021-0004-0014 Sector 51 Information – Use of NAICS in Federal Procurement for Small Business IT Reseller Services and SBA Size Standards

Proposal USBC-2021-0004-0014 proposes creation of a new NAICS industry, proposed as NAICS 541520, for IT value-added resellers, and requests that the Small Business Administration set a related size standard of 300 employees to improve the federal procurement process.

Although NAICS is used for procurement purposes, these purposes play no role in its development or revision. Additionally, the ECPC finds that the proposed industry definition is similar in scope to NAICS 541512, Computer Systems Design Services. The ECPC recommends no further changes.

USBC-2021-0004-0015 No Sector Specified – Ghost Kitchens

Proposal USBC-2021-0004-0015 asks if ghost kitchens will be an index item in NAICS 2022, due to pandemic-related growth in demand for restaurant delivery. The proposal describes two kinds of ghost kitchens: (1) restaurants that operate separate food preparation and delivery locations; and (2) delivery-only businesses.

The addition of an index item for ghost kitchens is not included with ECPC recommendations for 2022 NAICS. Based on the descriptions provided in the proposal, there is no single NAICS industry for ghost kitchens due to differences in production processes. A kitchen that prepares meals for delivery is classified as a limited-service restaurant in NAICS 722513. An establishment that is delivering restaurant meals prepared in other establishments is classified as local delivery services in NAICS 492210. The ECPC recommends no further changes.

USBC-2021-0004-0016 Sector 44-45 Retail Trade - Internet as Industry Distinction

Proposal USBC-2021-0004-0016 concurs with proposal USBC-2021-0004-0008 on the importance of data on retail e-commerce, specifically employment, wages, and tax collections used in state economic and tax revenue forecasting.

The ECPC maintains its recommendation to remove the Internet as an industry distinction for Retail Trade, given the increasing prevalence of omni-channel distribution and variations in reporting patterns. Additionally, the current store and nonstore distinctions can result in misleading data comparisons and uses, because retail e-commerce data are included in both retail store and nonstore industries.

Implementation of other indicators or ancillary codes are supported by the ECPC but outside the scope of the NAICS revision. The ECPC proposes no further changes.

USBC-2021-0004-0017 Sector 44-45 Retail Trade – Farm Supply Retailers

Proposal USBC-2021-0004-0017 supports the ECPC recommendation for changing the description and definition for NAICS 444220 to improve classification for the agricultural retail industry. The ECPC acknowledges this feedback and proposes no further changes.

USBC-2021-0004-0018 Sector 31-33 Manufacturing – Compost Manufacturing

Proposal USBC-2021-0004-0018 supports the ECPC recommendation to create a new industry for compost manufacturing but proposes a change in the NAICS structure to move compost manufacturing from NAICS Subsector 325, Chemical Manufacturing, to an industry within NAICS 33999, All Other Miscellaneous Manufacturing. The proposal provides information on production process differences for manufacturing compost versus fertilizers.

The ECPC previously agreed with proposal USBC-2020-0004-0018 that it is not appropriate to classify fertilizer mixing and compost manufacturing in the same industry (NAICS 325314, Fertilizer (Mixing Only) Manufacturing) based on unique production processes. The ECPC recommends new industry, 325315, Compost Manufacturing, and a modified 2022 title for NAICS 32531, 'Fertilizer and Compost Manufacturing.' In the interest of maintaining time series and trilateral agreements for NAICS 32531 and NAICS 33999, the ECPC proposes no further changes to the NAICS structure.

USBC-2021-0004-0019 Sector 62 Health Care and Social Assistance, and Sector 81 Other Services (except Public Administration) – Massage Therapy and Non-Medical Massage Services

Proposal USBC-2021-0004-0019 supports the continued inclusion of massage therapy services in NAICS 621399, Offices of All Other Miscellaneous Health Practitioners, and requests elimination of 'massage parlor' as an illustrative example and index entry for NAICS 81299, Other Personal Care Services. The proposal suggests 'massage establishment' is the generally accepted and appropriate phrase to describe non-medical massage services provided in 'day-spa' type settings.

The ECPC concurs with the proposal to continue to classify establishments that primarily provide massage therapy services in NAICS 621399, Offices of All Other Miscellaneous Health Practitioners. The ECPC also concurs with the proposal to eliminate references to 'massage parlor' for NAICS 81299 due to pejorative connotation of the phrase. The ECPC concurs with proposal USBC-2021-0004-0022 to replace references to 'massage parlors' for NAICS 81299 with 'massage wellness spas/centers'.

USBC-2021-0004-0020 Sector 92 Public Administration – Public Health Administration

Proposal USBC-2021-0004-0020 asks that the NAICS code for public health administration, 923120, be used consistently in federal government workforce research and enumeration, with collaboration across federal labor and public health agencies and national public health associations to collect and present accurate data on the public health workforce. The proposal supports this consistency for the use of appropriations and expenditures estimates. The ECPC regards this request on NAICS implementation in the statistical system as outside the scope of the NAICS revision and proposes no further changes.

USBC-2021-0004-0021 No Sector Specified - Bioeconomy and Sustainable Chemistry Sectors

Proposal USBC-2021-0004-0021 urges the Department of Commerce to proceed with the development of new biobased NAICS codes as directed in the 2018 Farm Bill (Agriculture Improvement Act) of 2018, Public Law 115-334, Section 9002 Biobased Markets Program, to quantify the impacts of the biobased products and biobased and sustainable chemistry industries. The proposal states that the Sustainable Chemistry Research and Development Act in the 2021 Defense Authorization passed with the intention to rapidly grow this sector of the U.S. economy. Given these and other recently enacted national, state and industry policies, the proposal describes greater dependency on biobased fuels, including hydrogen fuels based on renewables, and renewable based electricity.

The ECPC continues to support its recommendation that the demand-based framework of the North American Product Classification System (NAPCS) is available to identify biobased products. NAPCS is a comprehensive collection of goods and services that can be linked to various NAICS industries for market-oriented analysis. To supplement numerous biobased products currently identified in NAPCS at the detailed collection level, the ECPC continues to recommend new NAPCS biobased collection products, such as biobased chemical inputs.

In NAICS, some manufacturing industries are easily identified as producing wholly plant- or animal-based products. For example, NAICS 325199, All Other Basic Organic Chemical Manufacturing, includes the production of enzyme proteins and basic natural and synthetic organic chemicals not for pharmaceutical use, and NAICS 325414, Biological Product (except Diagnostic) Manufacturing, includes the production of vaccines, toxoids, blood fractions, and culture media of plant or animal origin (except diagnostic). Together, these two industries had 2017 shipments of approximately \$108.9 billion, representing 14.8% of shipments for NAICS Subsector 325, Chemical Manufacturing, according to the 2017 Economic Census.

The definition of Industry Group 32531, Fertilizer Manufacturing, mentions the use of biobased inputs such as animal waste. In agreement with proposal USBC-2020-0004-0018, the ECPC recommends NAICS 325315, Compost Manufacturing, based on the unique production process of decomposing and curing, which requires distinct equipment depending on the composting system used by the manufacturer. The ECPC also recommends modification of the 2022 title for NAICS 32531 to 'Fertilizer and Compost Manufacturing.'

But there are many industries that produce products that may or may not be biobased (e.g., detergents produced by establishments in NAICS 325611, Soap and Other Detergent Manufacturing, vary in plant-based content). In the production-oriented framework of NAICS, specific input materials are considered but are not the sole factor to distinguish industries in NAICS Subsector 325 Chemical Manufacturing, which groups establishments that transform 'organic and inorganic raw materials by a chemical process' and formulate intermediate and end products. Additionally, establishments in other sectors and subsectors transform raw materials by a chemical process, including chemical processing in Sector 22, Mining, Subsector 312, Beverage and Tobacco Product Manufacturing, Subsector 324, Petroleum and Coal Products Manufacturing, and Subsector 331, Primary Metal Manufacturing.

Products of industries are useful in disaggregating industry data into market- or demand-based data. For example, two products of NAICS 325130, Synthetic Dye and Agent Manufacturing, identify production of synthetic organic dyes and pigments, which made up approximately 22 percent of 2017 industry shipments of approximately \$6.9 billion. To preserve the ability to publish data for a small

industry such as NAICS 325130 (composed of 145 employer establishments according to the 2017 Economic Census), the ECPC does not recommend splitting the industry any further. Additionally, data for an industry solely comprised of establishments primarily producing synthetic organic dyes and pigments will be an incomplete representation of the market for these products without consideration of secondary production in establishments primarily producing synthetic inorganic dyes and pigments.

In agreement with proposal USBC-2021-0004-0021, with additional support from key findings of the 2020 National Academies of Sciences Engineering and Medicine (NASEM) publication “Safeguarding the Bioeconomy” and the 2018 Farm Bill, the ECPC recommends further collaboration with stakeholders to enhance the collection of NAPCS products with supplemental biobased products to meet the demands of researchers, businesses, and policy makers and to inform future revision cycles on significant emerging industries of the bioeconomy.

USBC-2021-0004-0022 Sector 81 Other Services (except Public Administration) – Massage Wellness Centers

Proposal USBC-2021-0004-0022 proposes renaming ‘massage parlors’ to ‘massage wellness centers’ for NAICS 81299, All Other Personal Care Services, citing the offensive connotation of ‘massage parlors’ and other references such as ‘massage salons’. The proposal stresses that regardless of where a massage is provided and regardless of the reason for the massage, massage therapy is a healthcare service rather than a recreational service. Finally, the proposal cites a need to ‘overhaul’ NAICS 81299 to separate beautification services from massage therapy services.

The ECPC concurs with the proposal that NAICS classifies establishments that primarily provide massage therapy services in NAICS 621399, Offices of All Other Miscellaneous Health Practitioners. The ECPC concurs with the proposal to replace references to ‘massage parlors’ for NAICS 81299 with ‘massage wellness spas/centers’ to eliminate offensive connotations.

USBC-2021-0004-0023 No Sector Specified – Biobased Sector

Proposal USBC-2021-0004-0023 urges OMB to reconsider the ECPC’s recommendation to use the North American Product Classification System (NAPCS) to identify biobased products and seeks to establish new NAICS codes for the biobased sector of the nation’s economy, identifying primary segments of the bioeconomy as agricultural, bioindustrial, and biomedical. The proposal states that the establishment of NAICS codes is mandatory as directed by Congress in the 2018 Farm Bill and is a Biden Administration priority in achieving sustainability and climate related objectives. The proposal further cites the 2020 National Academies of Sciences Engineering and Medicine (NASEM) publication “Safeguarding the Bioeconomy” addressing the issue of defining the bioeconomy and identifying primary segments of interest, and it recommends setting up a Technical Advisory Committee with representatives from the academic, governmental, industry, and non-profit sectors to advise with the task of delineating biotech sectors.

The ECPC continues to support its recommendation that the demand-based framework of the North American Product Classification System (NAPCS) is available to identify biobased products. NAPCS is a comprehensive collection of goods and services that can be linked to various NAICS industries for market-oriented analysis. To supplement numerous biobased products currently identified in NAPCS at the detailed collection level, the ECPC continues to recommend new NAPCS biobased collection products, such as biobased chemical inputs.

In NAICS, some manufacturing industries are easily identified as producing wholly plant- or animal-based products. For example, NAICS 325199, All Other Basic Organic Chemical Manufacturing, includes the production of enzyme proteins and basic natural and synthetic organic chemicals not for pharmaceutical use, and NAICS 325414, Biological Product (except Diagnostic) Manufacturing, includes the production of vaccines, toxoids, blood fractions, and culture media of plant or animal origin (except diagnostic). Together, these two industries had 2017 shipments of approximately \$147.7 billion, representing 20% of shipments for NAICS Subsector 325, Chemical Manufacturing, according to the 2017 Economic Census.

The definition of Industry Group 32531, Fertilizer Manufacturing, mentions the use of biobased inputs such as animal waste. In agreement with proposal USBC-2020-0004-0018, the ECPC recommends NAICS 325315, Compost Manufacturing, based on the unique production process of decomposing and curing, which requires distinct equipment depending on the composting system used by the manufacturer. The ECPC also recommends modification of the 2022 title for NAICS 32531 to 'Fertilizer and Compost Manufacturing.'

But there are many industries that produce products that may or may not be biobased (e.g., detergents produced by establishments in NAICS 325611, Soap and Other Detergent Manufacturing, vary in plant-based content). In the production-oriented framework of NAICS, specific input materials are considered but are not the sole factor to distinguish industries in NAICS Subsector 325 Chemical Manufacturing, which groups establishments that transform 'organic and inorganic raw materials by a chemical process' and formulate intermediate and end products. Additionally, establishments in other sectors and subsectors transform raw materials by a chemical process, including chemical processing in Sector 22, Mining, Subsector 312, Beverage and Tobacco Product Manufacturing, Subsector 324, Petroleum and Coal Products Manufacturing, and Subsector 331, Primary Metal Manufacturing.

Products of industries are useful in disaggregating industry data into market- or demand-based data. For example, two products of NAICS 325130, Synthetic Dye and Agent Manufacturing, identify production of synthetic organic dyes and pigments, which made up approximately 22 percent of 2017 industry shipments of approximately \$6.9 billion. To preserve the ability to publish data for a small industry such as NAICS 325130 (composed of 145 employer establishments according to the 2017 Economic Census), the ECPC does not recommend splitting the industry any further. Additionally, data for an industry solely comprised of establishments primarily producing synthetic organic dyes and pigments will be an incomplete representation of the market for these products without consideration of secondary production in establishments primarily producing synthetic inorganic dyes and pigments.

In agreement with proposal USBC-2021-0004-0023, with additional support from key findings of the 2020 National Academies of Sciences Engineering and Medicine (NASEM) publication "Safeguarding the Bioeconomy" and the 2018 Farm Bill, the ECPC recommends further collaboration with stakeholders to enhance the collection of NAPCS products with supplemental biobased products to meet the demands of researchers, businesses, and policy makers and to inform future revision cycles on significant emerging industries of the bioeconomy.

USBC-2021-0004-0024 Sector 31-33 Manufacturing - Renewable Chemicals and Biobased Product Manufacturers

Proposal USBC-2021-0004-0024 disagrees with the conclusion of the ECPC (in response to proposal USBC-2020-0004-0046) that a NAICS code for renewable chemicals manufacturers and biobased

products manufacturers is not warranted. The proposal states the need to improve economic measurement of the bioeconomy, which would allow policymakers, businesses, investors, and industry stakeholders to make well-informed decisions. The proposal cites the Biden-Harris Plan to Build Back Better in Rural America, which states a 'goal to grow the bioeconomy and biobased manufacturing to bring cutting-edge manufacturing jobs back to rural communities.' The proposal requests OMB and the ECPC work with USDA and Commerce to immediately develop NAICS codes for renewable chemicals and biobased product manufacturers that produce biobased products, including renewable chemicals, cleaning supplies, packaging, furniture, and clothing, in accordance with the 2018 Farm Bill. Data in support of this proposal are supplied, including global projections of growth in the biochemicals market, USDA's BioPreferred Program economic impact analysis, and company investments in biobased product lines.

The ECPC continues to support its recommendation that the demand-based framework of the North American Product Classification System (NAPCS) is available to identify biobased products. NAPCS is a comprehensive collection of goods and services that can be linked to various NAICS industries for market-oriented analysis. To supplement numerous biobased products currently identified in NAPCS at the detailed collection level, the ECPC continues to recommend new NAPCS biobased collection products, such as biobased chemical inputs.

In NAICS, some manufacturing industries are easily identified as producing wholly plant- or animal-based products. For example, NAICS 325199, All Other Basic Organic Chemical Manufacturing, includes the production of enzyme proteins and basic natural and synthetic organic chemicals not for pharmaceutical use, and NAICS 325414, Biological Product (except Diagnostic) Manufacturing, includes the production of vaccines, toxoids, blood fractions, and culture media of plant or animal origin (except diagnostic). Together, these two industries had 2017 shipments of approximately \$147.7 billion, representing 20% of shipments for NAICS Subsector 325, Chemical Manufacturing, according to the 2017 Economic Census.

The definition of Industry Group 32531, Fertilizer Manufacturing, mentions the use of biobased inputs such as animal waste. In agreement with proposal USBC-2020-0004-0018, the ECPC recommends NAICS 325315, Compost Manufacturing, based on the unique production process of decomposing and curing, which requires distinct equipment depending on the composting system used by the manufacturer. The ECPC also recommends modification of the 2022 title for NAICS 32531 to 'Fertilizer and Compost Manufacturing.'

But there are many industries that produce products that may or may not be biobased (e.g., detergents produced by establishments in NAICS 325611, Soap and Other Detergent Manufacturing, vary in plant-based content). In the production-oriented framework of NAICS, specific input materials are considered but are not the sole factor to distinguish industries in NAICS Subsector 325 Chemical Manufacturing, which groups establishments that transform 'organic and inorganic raw materials by a chemical process' and formulate intermediate and end products. Additionally, establishments in other sectors and subsectors transform raw materials by a chemical process, including chemical processing in Sector 22, Mining, Subsector 312, Beverage and Tobacco Product Manufacturing, Subsector 324, Petroleum and Coal Products Manufacturing, and Subsector 331, Primary Metal Manufacturing.

Products of industries are useful in disaggregating industry data into market- or demand-based data. For example, two products of NAICS 325130, Synthetic Dye and Agent Manufacturing, identify production of synthetic organic dyes and pigments, which made up approximately 22 percent of 2017 industry shipments of approximately \$6.9 billion. To preserve the ability to publish data for a small

industry such as NAICS 325130 (composed of 145 employer establishments according to the 2017 Economic Census), the ECPC does not recommend splitting the industry any further. Additionally, data for an industry solely comprised of establishments primarily producing synthetic organic dyes and pigments will be an incomplete representation of the market for these products without consideration of secondary production in establishments primarily producing synthetic inorganic dyes and pigments.

In agreement with proposal USBC-2021-0004-0024, with additional support from key findings of the 2020 National Academies of Sciences Engineering and Medicine (NASEM) publication “Safeguarding the Bioeconomy” and the 2018 Farm Bill, the ECPC recommends further collaboration with stakeholders to enhance the collection of NAPCS products with supplemental biobased products to meet the demands of researchers, businesses, and policy makers and to inform future revision cycles on significant emerging industries of the bioeconomy.

USBC-2021-0004-0025 Multiple Sectors Specified – Biobased Industry

Proposal USBC-2021-0004-0025 requests that the Department of Commerce develops NAICS codes for the biobased products industry to facilitate the gathering of statistics related to the industry and provide for more reliable reporting of those statistics. The proposal offers USDA assistance, to comply with the 2018 Farm Bill directive. The proposal cites statistics and findings of 2015 and 2019 USDA BioBased Products Economic Analysis reports and offers eight examples of existing industries with biobased products in Sector 31-33, Manufacturing, and Sector 54, Professional, Scientific, and Technical Services:

- NAICS Code 313310, Textile and Fabric Finishing Mills: Biobased textile manufacturing
- NAICS Code 3251, Basic Chemical Manufacturing: Renewable chemical/biobased chemical manufacturing
- NAICS Code 325211, Plastics Material and Resin Manufacturing: Biobased bioplastic material and resin manufacturing
- NAICS Code 325510, Paint and Coating Manufacturing: Biobased paint and coating manufacturing
- NAICS Code 325611, Soap and Other Detergent Manufacturing: Biobased soap and other detergent manufacturing
- NAICS Code 325620, Toilet Preparation Manufacturing: Biobased toilet preparation manufacturing (cosmetics, perfumes, etc.)
- NAICS Code 326160, Plastics Bottle Manufacturing: Biobased plastic bottle manufacturing
- NAICS Code 541714, Research and Development in Biotechnology: Biobased enzymes

The ECPC continues to support its recommendation that the demand-based framework of the North American Product Classification System (NAPCS) is available to identify biobased products. NAPCS is a comprehensive collection of goods and services that can be linked to various NAICS industries for market-oriented analysis. To supplement numerous biobased products currently identified in NAPCS at the detailed collection level, the ECPC continues to recommend new NAPCS biobased collection products, such as biobased chemical inputs.

In NAICS, some manufacturing industries are easily identified as producing wholly plant- or animal-based products. For example, NAICS 325199, All Other Basic Organic Chemical Manufacturing, includes the production of enzyme proteins and basic natural and synthetic organic chemicals not for pharmaceutical use, and NAICS 325414, Biological Product (except Diagnostic) Manufacturing, includes the production of vaccines, toxoids, blood fractions, and culture media of plant or animal origin (except diagnostic).

Together, these two industries had 2017 shipments of approximately \$147.7 billion, representing 20% of shipments for NAICS Subsector 325, Chemical Manufacturing, according to the 2017 Economic Census.

The definition of Industry Group 32531, Fertilizer Manufacturing, mentions the use of biobased inputs such as animal waste. In agreement with proposal USBC-2020-0004-0018, the ECPC recommends NAICS 325315, Compost Manufacturing, based on the unique production process of decomposing and curing, which requires distinct equipment depending on the composting system used by the manufacturer. The ECPC also recommends modification of the 2022 title for NAICS 32531 to 'Fertilizer and Compost Manufacturing.'

But there are many industries that produce products that may or may not be biobased (e.g., detergents produced by establishments in NAICS 325611, Soap and Other Detergent Manufacturing, vary in plant-based content). In the production-oriented framework of NAICS, specific input materials are considered but are not the sole factor to distinguish industries in NAICS Subsector 325 Chemical Manufacturing, which groups establishments that transform 'organic and inorganic raw materials by a chemical process' and formulate intermediate and end products. Additionally, establishments in other sectors and subsectors transform raw materials by a chemical process, including chemical processing in Sector 22, Mining, Subsector 312, Beverage and Tobacco Product Manufacturing, Subsector 324, Petroleum and Coal Products Manufacturing, and Subsector 331, Primary Metal Manufacturing.

Products of industries are useful in disaggregating industry data into market- or demand-based data. For example, two products of NAICS 325130, Synthetic Dye and Agent Manufacturing, identify production of synthetic organic dyes and pigments, which made up approximately 22 percent of 2017 industry shipments of approximately \$6.9 billion. To preserve the ability to publish data for a small industry such as NAICS 325130 (composed of 145 employer establishments according to the 2017 Economic Census), the ECPC does not recommend splitting the industry any further. Additionally, data for an industry solely comprised of establishments primarily producing synthetic organic dyes and pigments will be an incomplete representation of the market for these products without consideration of secondary production in establishments primarily producing synthetic inorganic dyes and pigments.

In agreement with proposal USBC-2021-0004-0025, with additional support from key findings of the 2020 National Academies of Sciences Engineering and Medicine (NASEM) publication "Safeguarding the Bioeconomy" and the 2018 Farm Bill, the ECPC recommends further collaboration with stakeholders to enhance the collection of NAPCS products with supplemental biobased products to meet the demands of researchers, businesses, and policy makers and to inform future revision cycles on significant emerging industries of the bioeconomy.

USBC-2021-0004-0026 No Sector Specified – Biogas Systems

Proposal USBC-2021-0004-0026 urges the creation of a NAICS code for biogas systems, which would allow the industry to generate data and more fully develop financing capabilities. The proposal cites the related ECPC recommendation to create a NAICS industry for compost manufacturing, describing biogas systems and compost systems as sister industries, in that material from biogas systems can be used as feedstock for compost systems. The proposal describes biogas systems and uses of biogas produced by these systems, and compares biogas systems and compost systems, including the capability of biogas systems to process larger volumes of organic material. Biogas projects that produce renewable natural gas are cited as the largest growing segment of the industry.

The ECPC regards this as a new proposal rather than comments on recommendations in the July 2, 2021, Federal Register notice. Given related inquiries into classification of biogas and biofuel production, the ECPC recommends the addition of two index items: 'Biogases, industrial (i.e., compressed, liquefied, solid), manufacturing' for NAICS 325120, Industrial Gas Manufacturing; and 'Biofuels not made in petroleum refineries and not blended with petroleum' for NAICS 325199, All Other Basic Organic Chemical Manufacturing. The ECPC proposes no further changes.

USBC-2021-0004-0027 Sector 31-33 Manufacturing - Renewable Chemicals and Biobased Product Manufacturers

Proposal USBC-2021-0004-0027 strongly urges OMB and the ECPC to work with the United State Department of Agriculture (USDA) and the Department of Commerce to develop NAICS codes for renewable chemicals and biobased products, as Congress directed in the 2018 Farm Bill. The proposal states that NAICS codes would greatly enhance the ability to track innovative activities, capture jobs created, and standardize reporting on the renewable chemicals and biobased products industry. The proposal recommends implementing an annual indicators report by the Department of Commerce (DOC) showing how well the industry is doing relative to other countries. The proposal cites a USDA Indicators report and other sources to provide economic industry estimates. Specifically, the proposal recommends NAICS codes be created for each feedstock used in the conversion to renewable chemicals or biobased products.

The ECPC continues to support its recommendation that the demand-based framework of the North American Product Classification System (NAPCS) is available to identify biobased products. NAPCS is a comprehensive collection of goods and services that can be linked to various NAICS industries for market-oriented analysis. To supplement numerous biobased products currently identified in NAPCS at the detailed collection level, the ECPC continues to recommend new NAPCS biobased collection products, such as biobased chemical inputs.

In NAICS, some manufacturing industries are easily identified as producing wholly plant- or animal-based products. For example, NAICS 325199, All Other Basic Organic Chemical Manufacturing, includes the production of enzyme proteins and basic natural and synthetic organic chemicals not for pharmaceutical use, and NAICS 325414, Biological Product (except Diagnostic) Manufacturing, includes the production of vaccines, toxoids, blood fractions, and culture media of plant or animal origin (except diagnostic). Together, these two industries had 2017 shipments of approximately \$147.7 billion, representing 20% of shipments for NAICS Subsector 325, Chemical Manufacturing, according to the 2017 Economic Census.

The definition of Industry Group 32531, Fertilizer Manufacturing, mentions the use of biobased inputs such as animal waste. In agreement with proposal USBC-2020-0004-0018, the ECPC recommends NAICS 325315, Compost Manufacturing, based on the unique production process of decomposing and curing, which requires distinct equipment depending on the composting system used by the manufacturer. The ECPC also recommends modification of the 2022 title for NAICS 32531 to 'Fertilizer and Compost Manufacturing.'

But there are many industries that produce products that may or may not be biobased (e.g., detergents produced by establishments in NAICS 325611, Soap and Other Detergent Manufacturing, vary in plant-based content). In the production-oriented framework of NAICS, specific input materials are considered but are not the sole factor to distinguish industries in NAICS Subsector 325 Chemical Manufacturing, which groups establishments that transform 'organic and inorganic raw materials by a chemical process'

and formulate intermediate and end products. Additionally, establishments in other sectors and subsectors transform raw materials by a chemical process, including chemical processing in Sector 22, Mining, Subsector 312, Beverage and Tobacco Product Manufacturing, Subsector 324, Petroleum and Coal Products Manufacturing, and Subsector 331, Primary Metal Manufacturing.

Products of industries are useful in disaggregating industry data into market- or demand-based data. For example, two products of NAICS 325130, Synthetic Dye and Agent Manufacturing, identify production of synthetic organic dyes and pigments, which made up approximately 22 percent of 2017 industry shipments of approximately \$6.9 billion. To preserve the ability to publish data for a small industry such as NAICS 325130 (composed of 145 employer establishments according to the 2017 Economic Census), the ECPC does not recommend splitting the industry any further. Additionally, data for an industry solely comprised of establishments primarily producing synthetic organic dyes and pigments will be an incomplete representation of the market for these products without consideration of secondary production in establishments primarily producing synthetic inorganic dyes and pigments.

In agreement with proposal USBC-2021-0004-0027, with additional support from key findings of the 2020 National Academies of Sciences Engineering and Medicine (NASEM) publication “Safeguarding the Bioeconomy” and the 2018 Farm Bill, the ECPC recommends further collaboration with stakeholders to enhance the collection of NAPCS products with supplemental biobased products to meet the demands of researchers, businesses, and policy makers and to inform future revision cycles on significant emerging industries of the bioeconomy.

USBC-2021-0004-0028 Sector 23 Construction – Interior Demolition Contractors

Proposal USBC-2021-0004-0028 is a duplicate submission of proposal USBC-2020-0004-0049 with added highlighting of key points to support request for 4-, 5-, and 6-digit industries for interior demolition contractors in Subsector 238, Specialty Trade Contractors.

No supplemental information is provided in this request to prompt ECPC reevaluation. The ECPC continues to recommend additional Illustrative Examples and Corresponding Index Entries for NAICS Industry 238910, Site Preparation Contractors, to clarify the classification of interior demolition and similar activities. The ECPC proposes no further changes.

USBC-2021-0004-0029 Multiple Sectors Specified - Cannabis (Marijuana and Hemp) Related Industries

Proposal USBC-2021-0004-0029 recommends the U.S., Canada, and Mexico create and expand NAICS codes for cannabis (marijuana and hemp) related industries. This more detailed version of proposal USBC-2020-0004-0054 cites U.S. agricultural output and rapid current and projected growth in legal cannabis establishments, revenue, and jobs, and it compares cannabis metrics to other NAICS industry metrics and country GDP totals as support for new industries rather than inclusion with tobacco vape and smoking categories and with miscellaneous categories. Additionally, the proposal references federal legislation that would decriminalize or legalize cannabis and the need for unique NAICS industries to support legal requirements set forth by Congress. The proposal states that ‘NAICS codes would ease the regulatory burden on both the government and the industry.’

The ECPC notes there is ample evidence to suggest the U.S. market for cannabis is robust and will continue to grow, with increasing regulation at both the federal and state levels. Although NAICS is used for regulatory purposes, these purposes play no role in its development or revision. The ECPC continues

to support its recommendation creating a new industry, NAICS 459991, "Tobacco, Electronic Cigarette, and Other Smoking Supplies Retailers" for use by cannabis retailers. The ECPC also supports providing clarification for the classification of agricultural and wholesaling activities for cannabis and hemp, and clarification for the classification of manufacturing, wholesaling, and retailing activities for cannabidiol (CBD oil) through the addition of Corresponding Index Entries. The ECPC recommends no further changes.

USBC-2021-0004-0030 Multiple Sectors Specified - Cannabis Related Industries

Proposal USBC-2021-0004-0030 requests the ECPC use 2017 NAICS Canada Version 3.0 codes for cannabis related industries, citing the Canadian model as robust and successful in yielding useful data for market and trend analyses. The proposal cites the United Nations' International Standard Industrial Classification of All Economic Activities (ISIC) Rev. 4 Manual regarding its lack of distinction between legal and illegal production, suggesting that NAICS similarly should be developed without consideration for the legality of cannabis related industries. The proposal does not agree with the classification of cannabis retailers in a smoking retailers' category, given potential health benefits. Finally, the proposal requests an extension allowing other stakeholders to comment on this issue.

The ECPC is aware that Statistics Canada created five cannabis industries unique to NAICS Canada 2017 Version 3.0, which was declared as Canada's 'departmental standard' on October 16, 2017. This occurred well after the January 2017 release of the NAICS United States 2017 Manual. The Canadian cannabis model was considered for the 2022 NAICS revision, however no trilateral agreement was reached, thus preventing its use in 2022 NAICS. In particular, no trilateral agreement is in place for two NAICS industries in the Agriculture sector and three NAICS industries, one each, in the Manufacturing, Wholesale Trade, and Retail Trade sectors. Additionally, although use of the NAICS Canada model would not compromise compatibility with the two-digit level of the International Standard Industrial Classification of All Economic Activities (ISIC, Rev. 4) of the United Nations, it would negatively impact comparability with NAICS at lower levels of the ISIC Rev. 4 structure. Regarding legality issues, the ECPC notes that NAICS industries are generally representative of economic activities across all states, and it is not supportive of creating NAICS industries that do not exist, or that exist minimally, at the state level where disclosure concerns would lead to widespread data suppression. In its recommendations for cannabis retailers, the ECPC notes that establishments primarily selling CBD oil or other CBD products not intended for smoking or vaping are not classified in a smoking retailers' category. The ECPC supports the public comment period established with the Office of Management and Budget within the broader schedule for the 2022 NAICS revision and proposes no further changes.