

**North American Industry  
Classification System (NAICS)  
Code for the Modeling and  
Simulation Industry**

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# About NAICS

- The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy
- NAICS was developed under the auspices of the Office of Management and Budget (OMB), and adopted in 1997 to replace the Standard Industrial Classification (SIC) system.
- It was developed jointly by the U.S. Economic Classification Policy Committee (ECPC), Statistics Canada, and Mexico's Instituto Nacional de Estadística, Geografía e Informática, to allow for a high level of comparability in business statistics among the North American countries.
- NAICS revised every 5 years on the 2s and 7s.
- Economic Classification Policy Committee (ECPC) reviews and recommends changes to NAICS; Office of Management and Budget has final say.

# NAICS and M&S

- 333319 – Other Commercial and Service Industry Machinery
  - This U.S. industry comprises establishments primarily engaged in manufacturing commercial and service industry equipment (except automatic vending machines, commercial laundry, drycleaning and pressing machines, office machinery, optical instruments and lenses)
  - ~4 dozen items in the i.e. list
  - Teaching machines (e.g., flight simulators) manufacturing
- M&S could be implied in other codes but not specifically mentioned.

# Proposal for 2007 Revision of NAICS

- In 2002, National Training and Simulation Association (NTSA) sought addition of 2 NAICS codes to target M&S industry.
  - Manufacturing → Simulators
  - Services → Simulation services
- ECPC rejected the proposal

# ECPC Rejection

- “The ECPC does not recommend creation of the proposed industries for several reasons.
- “First, the industries are demand- or use-based and create problems with mutual exclusivity of production functions in the related areas of manufacturing and services.
- “Second, the ECPC decided that modeling and simulation are methods of work rather than specific economic activities.
- “However, the ECPC does recognize the use of computer technology in simulation and the growing use of simulation in the development of systems and for education and training purposes.
- “Specifically, the ECPC proposed to Canada and Mexico that the electronic teaching machines which are specialized input/output devices used in simulators and simulation systems should be moved from general purpose machinery to the communications equipment industry, NAICS 334290.
- “Canada and Mexico did not support this proposal so the ECPC withdrew the request.”

[http://www.census.gov/eos/www/naics/ecpc\\_responses/naics07docketpage51.html](http://www.census.gov/eos/www/naics/ecpc_responses/naics07docketpage51.html)

# 2012 Revision of NAICS

- Federal Register notice soliciting proposals: Late 2008/Early 2009
  - Released Jan 7 with proposals due April 7
- ECPC review of proposals and trilateral negotiation: ongoing through 2009
- Federal Register notice containing ECPC recommendations to OMB: late 2009 or early 2010
- Federal Register notice containing OMB final decisions: May 2010
- 2012 NAICS United States Manual manuscript submitted to OMB: June 2011
- 2012 NAICS United States Manuals available: January 2012

# Proposals

- Proposals for changes to NAICS industry classifications must be in writing and include the following information:
  - Specific detail about the economic activities to be covered by the proposed industry, especially its production processes, specialized labor skills, and any unique materials used. This detail should demonstrate that the proposal groups establishments that have similar production processes that are unique and clearly separable from the production processes of other industries.
  - Specific indication of the relationship of the proposed industry to existing NAICS United States six-digit industries.
  - Documentation of the size and importance of the proposed industry in the United States.
  - Information about the proposed industry in Canada and Mexico, if available.

# Multi-Group Coalition

- National Training and Simulation Association
- Society for Modeling and Simulation International
- Simulation Interoperability Standards Organization
- National Center for Simulation
- Alabama Modeling and Simulation Center
- New England Modeling and Simulation Consortium
- Virginia Modeling, Analysis and Simulation Center
- Mid-Atlantic Modeling, Simulation and Analysis Council

# Strategy

- Broaden scope
- Focus on economic activities specific to M&S
- Demonstrate mutual exclusivity
- Address misconception that M&S is primarily demand-, use-driven

# Proposal Outline

- Introduction
- Defining the Industry
  - Modeling and Simulation Defined
  - Development of Human Capital for the Modeling and Simulation Industry
  - Industrial Activities
- M&S Industry Economic Activities
  - Raw Materials
  - Specialized Value-Added Processes
  - Products
- Relationship with Other NAICS U.S. Six-Digit Industries
- M&S Industry Size and Importance
  - M&S Industry Data
  - U.S. Government Agencies Engaged in M&S Management
  - National Politics
- The M&S Industry in Canada and Mexico –
- International Implications –
- Recommendations
- Conclusion

# Status

- Wedge proposal submitted.
- ECPC has opened a docket for M&S with understanding that the proposal will change.
- Coalition discussion with Chair, ECPC.
- Proposal development is nearing completion and will be submitted by Thursday/Friday of this week.
- We anticipate additional negotiations with ECPC.
- Have additional opportunity to influence at OMB level.
- Canada has similar call for proposals out. Responses due in September.