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THE PROPOSED ICT SECTOR DEFINITION: COMMENTS BY THE TASK FORCE ON INFORMATION SOCIETY STATISTICS

OECD, Paris, 18-19 June 1998

This room document summarises the discussion by members of the Task Force on Information Society Statistics (held at the statistical office of the European Communities on 25 and 26 February 1998) on the paper "The Information and Communication Technology Sector: A Definition".

The document is submitted for information under Item 4.1 of the draft agenda.

Mr. Fred Gault, Statistics Canada, Ottawa (Canada), gaultfd@statcan.ca

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1. INTRODUCTION

Members of the Task Force on Information Society Statistics at their meeting in Luxembourg on February 25 and 26, 1998, discussed the OECD paper, '**A Draft Definition on the ICT Sector, August 1997**' (S6-IS/98/Doc7.En) and made some observations which are summarised here. The observations should not be seen as definitive for the purposes of the OECD statistical panel, but as a contribution to the discussion which will take place at the June 18-19, 1998 meeting of the panel.

Written comments on the OECD paper from the UK Department of Trade and Industry and Statistics Finland (S6-IS/98/Doc06.En) were provided to the Task Force and they have also been posted on the OECD Electronic Discussion Group (EDG). This note presents a summary of the discussion of the OECD paper and the written comments. Following the discussion of the definition of the ICT sector, which is based on an industrial classification, the Task Force members went on to discuss a definition of information industries for use in the short-term in a Eurostat compendium of information society statistics. As the 'Information Society' is a broader concept than the Information Communication Technology sector, that discussion is not summarised here.

The summary starts with principles, provided by the UK, for including or excluding industries which are then applied to the issue of including 'content' industries or not. Content industries are then excluded from the ICT definition, but not, of course, from the definition of the Information Society. Next, the core industries are identified as those industries that conform to the principles for inclusion and which have not been rejected by any member of the task force. This is followed by those industries that were not universally supported for inclusion, with some of the arguments for and against.

The industries in this note are taken from the OECD discussion paper, with additions, where appropriate. The classification used is ISIC.3. When Task Force papers are referred to, their number is given. The summary is focused on the industries for inclusion or exclusion in a definition, the additional question of the classification of the commodities produced by industries as belonging to the ICT sector, or not, is not addressed.

2. PRINCIPLES

The UK DTI provided a set of principles (S6-IS/98/Doc06.En) which follow. They differ for manufacturing and for service industries.

2.1 Manufacturing

The products of a candidate industry must:

> be intended to fulfil the function of information processing and communication, including transmission and display; or
>
> use electronic processing to detect, measure and/or record physical phenomena, or to control a physical process.

Components primarily intended for use in such products are also included.

2.2 Services

The products of a candidate industry must:

be intended to enable the function of information processing and communication by electronic means; and,

the service provided must go beyond simply the supply of goods.

2.3 Comments

The principles for manufacturing deal with the processing and transmission of information and, implicitly, of data and includes the accessing and processing of data, and the use of such data for the purposes of control. Implicit also is that the means of accessing, processing, communicating, display, and use, of data are electronic. This is made explicit in the case of service industries.

In both manufacturing and services, the focus on processing and transmission excludes the creation of data, of information, or of knowledge and therefore excludes those industries which create or provide data, information, or knowledge. This is illustrated by Figure 1.

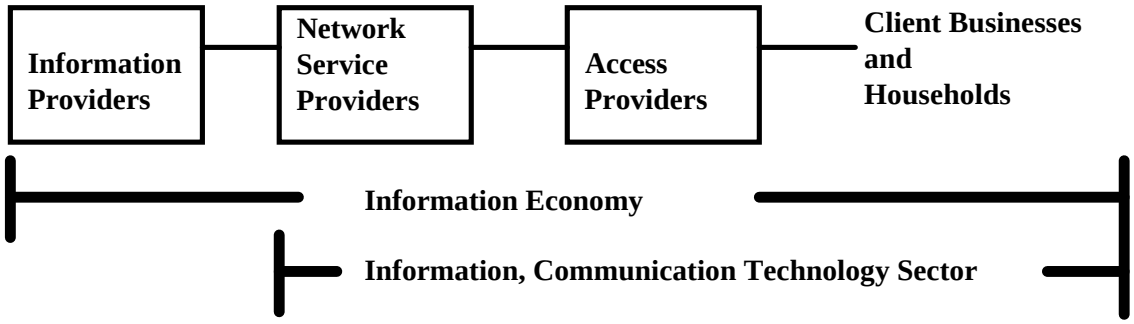


Figure 1: The relation between the Information Economy and the ICT Sector

Social outcomes and impacts of the ICT sector are also excluded by the principles. A definition of the Information Society would have to take these into account, as well as information providers.

Requiring that services go beyond the supply of goods excludes the industries which intermediate between the producing industry and the consuming industry or households. This will be discussed further in Section 5.

When the principles were applied to the industries in the OECD paper, three were identified for inclusion in the definition, without reservation. These were termed ‘core industries’.

3. CORE INDUSTRIES

3.1 Manufacturing

3220 Manufacture of television and radio transmitters and apparatus for line telephony and line telegraphy

3.2 Services

6420 Telecommunications

72 Computer Services

3.3 Comments

Finland made the point that 9213, Radio and television activities, should be included, even though it is a 'content' industry as some countries classify radio and television services to 9213, rather than to 6420.

4. ADDITIONAL INDUSTRIES CONSIDERED

4.1 Manufacturing

The industries that appear in the OECD discussion paper are listed and comments follow each on whether they should be included or excluded.

2213 Publishing of recorded media

This was considered a content industry and the recommendation was that it be excluded.

2230 Reproduction of recorded media

Include

30 Manufacture of office, accounting and computing machinery

Include

3130 Manufacture of insulated wire and cable

There was some debate about this industry, but the consensus was that wire and cable were part of transmission and that the industry should be included.

3210 Manufacture of electronic valves and tubes and other electronic components

Include

3230 Manufacture of television and radio receivers, sound or video recording or reproducing apparatus, and associated goods

There was strong support for including this industry as it was part of reception and display of information that had been transmitted.

33 Manufacture of medical appliances and instruments and appliances for measuring, checking, testing, navigating and other purposes, except optical instruments

This was excluded from the ICT sector by the OECD discussion paper, but two industries in 33 were included by the UK in its comment. They were the following.

3312 Manufacture of instruments and appliances for measuring, checking, testing, navigating and other purposes, except industrial process control equipment

3313 Manufacture of industrial process control equipment

The argument for including them was that they were consistent with the UK principle for inclusion. Were they to be excluded, the second part of the UK principle for inclusion of a manufacturing industry in the ICT sector would have to be eliminated and with it, the industries which produce measurement and control equipment.

If the ICT is to be concerned with 'information', rather than data, there is a case for excluding measurement and control. This distinction is offered as an matter for further discussion.

4.2 Services

Services Related to Goods

5150 Wholesale of machinery, equipment and supplies

5233 Retail of household appliances, articles and equipment

7123 Renting of office machinery and equipment (including computers)

Services related to goods were rejected by the UK requirement that 'the service must go beyond simply the supply of goods'. However, it was also suggested that these services were a means of providing the machinery and equipment to economic actors and that this provision was 'intended to enable the functioning of information processing and communication by electronic means'. If this was indeed the case, the second part of the UK definition for services would have to be eliminated.

In practical terms, wholesale and retail trade and rental and leasing presented problems, and the inclination of the group was to exclude them from definition, certainly in the short term. An example of a practical problem was that, in France, the rental activity existed, but it was classified to the producing industry. This would ensure that the activity was captured if the producing industry was included.

The Provision of R&D Services

73 Research and Development

The group agreed that it was important to know the amount of R&D performed by firms classified to the ICT sector. For firms which produced R&D as their principal product, there was a need to allocate the revenues to R&D related to the ICT sector, and other R&D. The consensus was to exclude this industry until such time as there was a classification of ICT commodities which would support the allocation process.

5. NON-MARKET INDUSTRIES

The importance to the ICT sector of education and of government was recognized. While both government and education play a role as users, creators and promoters of ICTs, they were outside of the market and would not provide comparable statistics to those for firms in the ICT sector which where trading in the market. It was also suggested that public sector programmes to promote ICTs were contributions to content and belonged in the broader definition of the Information Society. This would apply particularly to government training programmes in ICT areas for the unemployed, for example.

6. ICT INDUSTRIES

Had a decision been taken at the end of the meeting on an industry based ICT definition, the result would have been the following.

6.1 Manufacturing

2230 Reproduction of recorded media

30 Manufacture of office, accounting and computing machinery

3130 Manufacture of insulated wire and cable

3210 Manufacture of electronic valves and tubes and other electronic components

3220 Manufacture of television and radio transmitters and apparatus for line telephony and line telegraphy

3230 Manufacture of television and radio receivers, sound or video recording or reproducing apparatus, and associated goods

3312 Manufacture of instruments and appliances for measuring, checking, testing, navigating and other purposes, except industrial process control equipment

3313 Manufacture of industrial process control equipment

6.2 Services

6420 Telecommunications

9213 Radio and television activities (where needed to capture information on transmission)

72 Computer Services

7. CONTINUING THE DISCUSSION

Participants in this discussion are invited to consider the following questions in preparation for the discussion at the June meeting of the OECD ICCP statistical panel.

What are the appropriate principles for inclusion of industries in an ICT definition?

Should services related to ICT goods be included in the ICT sector definition and then excluded for practical purposes by those countries which have data or classification problems? Should this be done as an OECD decision and reviewed regularly with a view to adding goods related services in due course?

Comments may be sent directly to Fred Gault at 1-613-951 21 98(V), 1-613-951 99 20(F), gaultfd@statcan.ca, or posted to the OECD Electronic Discussion Group, (www.olis.oecd.org/edg/iccpsp.nsf). Participants who do not have access to the EDG are invited to contact Pierre Montagnier at the OECD, (Pierre.MONTAGNIER@oecd.org).