

Part II - PROPOSED NEW INDUSTRY STRUCTURE FOR BROADCASTING AND TELECOMMUNICATIONS

Section A - NAICS Structure and Narrative

NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM
(NAICS)

AGREEMENT Number 2

This Document represents the proposed agreement on the structure of the North America Industry Classification System (NAICS) for the following industries:

Broadcasting and Telecommunications

The detailed NAICS structure along with a brief description of the structure is attached (Attachments 1 and 2). Each country agrees to release a copy of the proposed NAICS structure to interested data users. Comments received will be shared among the countries and discussions held before a final decision on the structure is made. Each country may add additional detailed industries, below the 4-digit level of NAICS, as necessary to meet national needs, so long as this additional detail aggregates to a 4-digit NAICS level in order to ensure full comparability among the three countries. This NAICS structure was presented and provisionally accepted at the NAICS Committee meeting held on May 18 and 19 in Ottawa, Canada.

ACCEPTED:	Signature	Date
Canada	<u>/s/ <i>Jacob Ryten</i></u>	<u>5/19/</u> <u>95</u>
Mexico	<u>/s/ <i>Enrique Ordaz</i></u>	<u>5/19/95</u>
United States	<u>/s/ <i>Jack E. Triplett</i></u>	<u>5/19/95</u>

NAICS STRUCTURE

XX BROADCASTING AND TELECOMMUNICATIONS

XXX Radio and Television Broadcasting

XXXX Radio Broadcasting

XXXX Television Broadcasting

XXX Cable Networks and Program Distribution

XXXX Cable Networks

XXXX Cable and Program Distribution

XXX Telecommunications

XXXX Wired Telecommunications Carriers

XXXX Wireless Telecommunications Carriers, Except Satellite

XXXX Telecommunications Resellers

XXXX Satellite Telecommunications

XXXX Other Telecommunications

North American Industry Classification System

Draft Classification for: Broadcasting and Telecommunications

Representatives of the statistical agencies of Canada, Mexico and the United States have agreed to a draft industry classification for the Broadcasting and Telecommunications subsector. The draft establishes three industry groups and nine industries. It has not yet been determined in which industry sector in NAICS the Broadcasting and Telecommunications industry subsector will be included.

Achievements of Objectives

The classification meets the objectives for the North American Industry Classification System. It is comprised of industries which group establishments with similar production processes, that is, it applies the production-oriented economic concept. The hierarchical structure also follows the production concept.

The classification achieves comparability for the three participating countries. Based on existing data, all three countries expect to be able to publish data regularly at the NAICS industry level of the NAICS structure with the exception of satellite telecommunications, which will be published only in the United States. All countries agree on the detailed definitions of the classes.

The classification improves comparability with other countries. With the exception of radio dispatch services and radio and television relay systems, all industries are compatible with the 2-digit level of the current International Standard Industrial Classification of All Economic Activities (ISIC, Revision 3) of the United Nations. Radio dispatch services and radio and television relay systems activities are not significant.

Other objectives of the NAICS project have also been met. In an effort to identify high technology and new and emerging industries, new industries for cable networks, and satellite telecommunications have been identified. A relatively new economic development has been identified by creating an industry for telecommunications resellers.

In addition to the above objectives of the NAICS project, the classification meets the objectives of an industry classification. The classifications are homogeneous and account for most of the activities which define them. In addition, they are economically significant. Finally, disruptions at the NAICS industry level to time series have been kept to a minimum. The major changes in country detail are well-defined and can be taken into account in linking time series.

Limitations of the Classification

There are some limitations to the draft Broadcasting and Telecommunications hierarchy. First, the proposed structure attempts to describe the subsector as it currently exists. It is therefore rooted in today's technology and regulatory environment and it reflects the current profile of service providers. However, many are anticipating fundamental changes in this sector. For instance, the distinction between the Wired Telecommunication Carriers industry

and the Cable and Program Distribution industry may not be viable in the future if both industries are engaged in the carriage of voice (basic telephone service), data, and video (including television programs). Similarly, the systems which are now used to distribute television programs may well be used in the future to distribute other types of products such as games and software or be used for other purposes such as interactive home shopping or banking. In such an environment, the provision of menus, interactive controls, and billing services could become an integral part of the bundle of services provided by carriers.

Secondly, it may be argued that for some purposes a number of industries which are important users of telecommunications, as outlined in the proposal, should be included in this subsector. These include telephone answering services and other message services that may include the use of paging and voice mail, phone booth operations, and on-line information services. These industries have not been included in this subsector as they are users of telecommunications services, not providers of the telecommunications services as defined in the proposal. They will be classified elsewhere in NAICS.

These few examples illustrate the difficulty of building a classification for an evolving sector that will stand the test of time.

Constraints on the NAICS Classification

A number of industries which can appropriately be defined in terms of production distinctions could not be published in all countries because of considerations of size and confidentiality. Separate 5-digit industries which will pertain only to the United States have been included as U.S. detailed industries.

A General Outline

The Broadcasting and Telecommunications subsector has been defined to include establishments providing point-to-point communications and the services related to that activity. The industry groups (Radio and Television Broadcasting, Cable Networks and Program Distribution, and Telecommunications) are based on differences in the methods of communication and in the nature of services provided.

The Radio and Television Broadcasting industry group operates broadcasting studios and facilities for over the air or satellite delivery of radio and television programs of entertainment, news, talk, and the like. These establishments are often engaged in the production and purchase of programs and generate revenues from the sale of air time to advertisers, and from donations, subsidies, and/or the sale of programs. The distinction between radio and television broadcasting involves the use of equipment dealing in audio versus audio/video signal.

The Cable Networks and Program Distribution industry group includes two types of establishments. Cable networks operate studios and facilities for the broadcasting of programs which are typically narrowcast in nature (limited format such as news, sports, education, and youth-oriented programming). The services of these establishments are typically sold on a subscription or fee basis and the delivery of the programs to customers is handled by other establishments that operate cable systems, direct-to-home satellite systems, or other similar systems. These distribution systems establishments are classified to the Cable and Program Distribution industry.

The Telecommunications industry group is primarily engaged in operating, maintaining, and/or providing access to facilities for the transmission of voice, data, text, sound, and full

motion picture video between network termination points. A transmission facility may be based on a single technology or a combination of technologies.

Wired Telecommunications Carriers operate and maintain switching and transmission facilities (usually land lines and microwave) to provide one-to-one communications via landlines (including microwave) or a combination of landline and satellite communications.

Wireless Telecommunications Carriers, Except Satellite operate and maintain switching and transmission facilities to provide one-to-one communications via airwaves. The United States classification further distinguishes wireless carriers on the basis of technology by separating paging services and other wireless services such as cellular and personal communications services.

Telecommunications Resellers provide services similar to those of telecommunications carriers but do not operate and maintain a network. They principally purchase the services of carriers for resale to customers.

The Satellite Telecommunications industry principally provides point-to-point communications services to other establishments in the telecommunications and broadcasting industries by forwarding communications signals via a system of satellites. The Other Telecommunications industry includes establishments that specialize in the provision of other types of services such as satellite tracking, radar station operations, and overseas telecommunications (except for satellite telecommunications).

Some Changes to the National Classifications

This section highlights some of the significant changes to the existing national industry classification systems.

The only change to USIC 4832 Radio Broadcasting Stations is to add detail to separate the radio networks from the radio stations. It was felt that the programming function of the network was a significant production difference. There is a significant change for Mexico in that the draft proposes the elimination of the designation of private versus public.

The change in the Television Broadcasting industry for the U.S. is restricted to a title change to clarify the proper classification for television networks. The issue of private versus public television is a change for Mexico.

Cable Networks is similar to Radio Broadcasting, in that the programming function is being used to identify these establishments as a separate industry. This would be a new classification for all three countries.

Cable and Program Distribution establishments are separated from the cable networks based on the absence of the programming function. This would be a new industry for all three countries.

The Wired Telecommunications Carriers industry group has been changed to include the activities of USIC 4822 Telegraph and Other Message Communications. Detail was also added for carriers and resellers. USIC 4822 has been a declining industry and has assumed more and more of the characteristics of the wired telecommunications industry. This change also improved comparability with both Mexico and Canada.

Recent changes in the telephone industry have paved the way for new businesses. The most prevalent are the telecommunications resellers. A reseller purchases communications services from the telecommunications carrier and resells the services to their customers. The reseller does not operate the communications network but instead may operate only the switching system to connect customers to the carriers' network. Telecommunication Carriers and Telecommunications Resellers are new industries for all three countries. It is a new economic development and, as such, is being identified as a new and emerging industry.

Changes in the Wireless Telecommunications Carriers, Except Satellite industry involve moving radio dispatch from USIC 4899 and adding detail to reflect different technologies and updating the terminology. The production function of radio dispatch is similar to that of wireless telecommunication. This change also increased comparability with Canada and Mexico. Paging was found to have a distinct production function. Canada could not support this activity as a NAICS industry so it was added as a 5-digit U.S. industry. Wireless Telecommunications Carriers, Except Satellite will be a new industry for all three countries.

Satellite Telecommunications is a new industry in all three countries. It is a new technology which is now being identified as a new and emerging industry.

Other Telecommunications is a new industry for all three countries.

Section B - Annex: United States National Industry Detail

As explained in the Structure presentation of this notice, the three country agreement on NAICS envisions that each country may develop national detailed industries below the NAICS industry level, so long as the national detail can be aggregated to the NAICS classification, thus assuming full North American comparability.

The ECPC is proposing U.S. 5-digit industry detail for this NAICS industry subsector. In the following tables, proposed 5-digit detail is indicated in italics. For cases where no 5-digit detail is shown, the ECPC is proposing that the NAICS 4-digit industries will also represent the most detailed U.S. industries.

TABLE 1

The definitions of status codes are as follows: E-existing industry; N-new industry; R-revised industry; and * means “part of”. The abbreviation NEC is used for Not Elsewhere Classified.

1997 NAICS & U.S. DESCRIPTION	STATUS CODE	1987 USIC CODE	1987 USIC DESCRIPTION
XX			Broadcasting and Telecommunications
XXX			Radio and Television Broadcasting
XXXX			Radio Broadcasting
XXXXX	N	4832*	<i>Radio Networks</i> Radio Broadcasting Stations
XXXXX	N	4832*	<i>Radio Stations</i> Radio Broadcasting Stations
XXXX	E	4833	Television Broadcasting Stations
XXX			Cable Networks and Program Distribution
XXXX	N	4841*	Cable Networks Cable and Other Pay Television Services
XXXX	N	4841*	Cable and Program Distribution Cable and Other Pay Television Services
XXX			Telecommunications
XXXX	N	4813*	Wired Telecommunications Carriers Telephone Communications, Except Radiotelephone (Carriers)
		4822	Telegraph and Other Message Communications
XXXX	N		Wireless Telecommunications Carriers, Except Satellite
XXXXX	N	4812*	<i>Paging</i> Radiotelephone Communications (Paging Carriers)
XXXXX	N	4812*	<i>Cellular and Other Wireless Telecommunications</i> Radiotelephone Communications (Cellular Carriers)
		4899*	Communication Services, NEC (Radio Dispatch)
XXXX	N	4812*	Telecommunications Resellers Radiotelephone Communications (Paging and Cellular Resellers)
		4813*	Telephone Communications, Except Radiotelephone (Resellers)
XXXX	N	4899*	Satellite Telecommunications Communication Services, NEC (Satellite)
XXXX	N	4899*	Other Telecommunications Communication Services, NEC

TABLE 2

The abbreviation "pt" means "part of". @ means time series break has been created that is greater than 3% of the 1992 revenues for the 1987 SIC industry. The abbreviation NEC is used for Not Elsewhere Classified.

1987 USIC CODE	1987 USIC DESCRIPTION	1997 U.S. DESCRIPTION
4812@	Radiotelephone Communications	Wireless Telecommunications (pt) Telecommunications Resellers (pt)
4813@	Telephone Communications, Except Radiotelephone	Wired Telecommunications Carriers (pt.) Telecommunications Resellers (pt.)
4822@	Telegraph and Other Message Communications	Wired Telecommunications Carriers (pt.)
4832	Radio Broadcasting Stations	Radio Networks Radio Stations
4833	Television Broadcasting Stations	Television Broadcasting
4841	Cable and Other Pay Television Services	Cable Networks Cable and Program Distribution
4899	Communications Service, NEC	Wireless Telecommunications Carriers (pt) Satellite Telecommunications Other Telecommunications

Description of Changes to the U.S. System

The Broadcasting and Telecommunications subsector has been completely restructured for 1997 to reflect the changing technology of the subsector. New industries are the following:

- Radio Networks from part of 1987 Industry Code 4832, Radio Broadcasting Stations.
- Radio Stations from part of 1987 Industry Code 4832, Radio Broadcasting Stations.
- Cable Networks from part of 1987 Industry Code 4841, Cable and Other Pay Television Services.
- Cable and Program Distribution from part of 1987 Industry Code 4841, Cable and Other Pay Television Services.
- Wired Telecommunications Carriers from part of 1987 Industry Code 4813, Telephone Communications, except Radiotelephone and Industry Code 4822, Telegraph and Other Message Communications.
- Paging from part of 1987 Industry Code 4812, Radiotelephone Communications.
- Cellular and Other Wireless Telecommunications from parts of 1987 Industry Codes 4812, Radiotelephone Communications and Industry Code 4899, Communications Services, Not Elsewhere Classified.
- Telecommunications Resellers from part of 1987 Industry Code 4813, Radiotelephone Communications and part of Industry Code 4812, Telephone Communications, Except Radiotelephone.
- Satellite Telecommunications from part of 1987 Industry Code 4899, Communication Services, Not Elsewhere Classified.
- Other Telecommunications from part of 1987 Industry Code 4899, Communication Services, Not Elsewhere Classified.

The number of industries in this industry subsector increased from 7 in 1987 to 11 in 1997. For time series linkage, 4 of the 7 1987 industries are comparable within three percent of the 1997 industries. For the other 3 industries, changes involve splitting a part of 1987 SIC 4-digit industries to obtain more industry detail, in response to new economic and technological developments in this subsector; the new more detailed industries can readily be reaggregated for analytical purposes where time series comparability is important.