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New issues requiring guidance in the Central Product Classification (CPC)

The following is a list of issues that has been provided by the World trade Organization, arising out of discussions using the GNS/W/120 list, which is originally based on the Provisional CPC.

While this is not an official request for clarification or ruling in the Provisional CPC or in CPC Ver.2.1 at this time, it provides a list of service descriptions that may not be covered in the CPC in a sufficiently clear way. In this sense, the list below should be reviewed for its applicability as input into a future CPC revision/update or to what degree these issues can be resolved through case laws in the current CPC version.

The documents cited in the footnotes can be found through the "search" feature on <http://docs.wto.org>

ILLUSTRATIVE LIST OF SERVICES WITHOUT EXPLICIT REFERENCES IN W/120

1.1 Computer and related services, telecommunications, and audiovisual services

1.1. Previous discussions suggest that "new services" might be an issue more relevant in these sectors than in others, due to the application of new information technologies especially the Internet.

Cloud computing

1.2. In the context of the discussion on how to classify the integration of different types of computer and related services (CRS), cloud computing was mentioned on several occasions. It was pointed out that it was worth discussing whether cloud computing was covered by the existing classification such as database or storage services or whether it constituted a new service. One view was that cloud computing consisted of data processing services, telecommunication services and other services.¹ Some argued that cloud computing was an example of new services as a result of technological developments.²

1.3. One general view expressed was that many computer services, even those considered as "new", represented services covered by CPC 84. Given the structure and coverage of CPC items, it would be rare that activities sometimes referred to as "new" services would not already be accommodated by the existing CPC classification.³

Web-hosting or application hosting

1.4. Web-hosting or application hosting services were suggested as possibly falling under CPC 84 - computer and related services, but there was no elaboration in the discussion on the nature of the services or the rationale.⁴ The Understanding on the Scope of Coverage of CPC 84, a communication from a group of Members, contained in document S/CSC/W/51 dated 26 January 2007, noted that "services such as web or domain hosting, data mining services and grid computing each consist of a combination of basic computer services functions".

Search engine

1.5. It was questioned whether a search engine service was within the scope of services defined in the GATS. If it was, was this service a telecommunication or a computer and related service? It was noted that when using a search engine service, the user did not need to pay, since the search engine company's revenue was generated from its advertising business. As the GATS covered only services provided on a commercial basis, the question was under which category should search engine services fall – advertising platform services, telecommunication or computer-related services? One view was that the 1991 CPC Provisional seemed inadequate to reflect the commercial reality or business model behind these services.⁵

Social network

1.6. Similar questions were asked as in the case of search engine services. In the case of social networking services, it was noted that people communicated with each other through the platform without paying any fees; the suppliers of social networking services mostly collected their revenue from advertising services. One view was that social networking services were not commercial services, but could be considered as a type of new service.⁶

¹ JOB/SERV/44, para.4; JOB/SERV/44/Add.1, para.6.

² JOB/SERV/101, para.4.

³ JOB/SERV/44, para.4.

⁴ JOB/SERV/44, para.6.

⁵ S/C/M/70, para.2.4.

⁶ S/C/M/70, para.2.5.

Internet access services

1.7. One view was that Internet access services could fall under such subsector as "data transmission services" or "other services" as Internet access services were provided over various infrastructures (wired, wireless, satellite) within various types of services (mobile, nomadic, fixed). Another view was that Internet access services were basic telecommunication services, where the distinction between basic and value-added services be maintained. This was because Internet access was growing in importance as an enabling service, by means of which end-users gained access to other telecommunication services and services in other sectors.⁷

VoIP (Voice over Internet Protocol)

1.8. This was raised as an example of problems in classifying converged services: was it a telecommunication service (voice telephony) or a computer related service?⁸

Video on demand or IPTV

1.9. This was raised as another example of problems in classifying converged services: was it a telecommunication service or an audiovisual service? It was noted that fixed and mobile operators are explicitly expanding into lines of business that include video or program transmission, such as video on demand or IPTV.⁹

On-line distribution of audiovisual content (movies, videos, music)

1.10. There were different views as to whether or where on-line distribution of audiovisual content could be covered in W/120. One view was that they would fall under section 2. D. (audiovisual services) of W/120 as the use of a different medium to provide a service did not create a new service. Another view that such services might fall under both telecom transmission services and audiovisual services. A third view expressed was that they were not covered by W/120.

1.11. More generally, on the issue of classifying digital content, it was suggested by some delegations that certain criteria such as transmission or a technology-neutral approach could be used to distinguish between telecommunication and audiovisual services. It was understood that telecommunication transmission was the process of sending either data or voice through wired or wireless means, while audiovisual services could be provided to end-users via a telecommunication transmission service. Telecommunication carriage services, i.e. data transmission, were inputs to the supply of audiovisual services to end-users. However, some considered the carriage of video content to be a form of data transmission.¹⁰

1.12. Noting that the GATT was applied to digital content that was recorded on a media carrier and traded across borders, some indicated that digital content distributed through Internet should not be discussed only from a services classification perspective.¹¹

Sale of television advertising time and broadcast of advertisements

1.13. These services are the main source of revenue for the provision of television programming through free-to-air broadcasting, and a significant one for subscription television. One view was that they fell within the scope of television services (CPC 96132) because that category included a reference to the production of television programmes for promotion which should cover advertising activities.¹²

⁷ JOB/SERV/75, para.5 & 13.

⁸ JOB/SERV/75, para.10.

⁹ JOB/SERV/73, para.12.

¹⁰ JOB/SERV/73, para.12; JOB/SERV/75, para.16; JOB/SERV/82, para.4; JOB/SERV/82/Add.1, para.3 & 10; JOB/SERV/82/Add.2, para.5.

¹¹ JOB/SERV/82/Add.2, para.8.

¹² JOB/SERV/82/Add.1, para.7.

Other audiovisual services

1.14. It was noted that a number of audiovisual services appeared not to have an explicit entry in W/120 or CPC, such as: the distribution of television/radio programmes, the services of television/radio programme packages.¹³ There were no discussions on the classification of these services.

1.2 Environmental and energy services

1.15. It was pointed out that the classification of environmental services in W/120 (Section 6) and the CPC Provisional (CPC 94) was inadequate to cover all relevant services. In this regard, a number of environmental services were identified to be missing from the existing classification system, including inter alia:

- cleaning and monitoring of pollution of indoor decoration,
- light pollution treatment,
- soil remediation,
- industrial wastewater treatment,
- ship-breaking and other dismantling of wrecks, and
- environmental consultancy.¹⁴

1.16. It was pointed out that in both W/120 and the CPC Provisional, there were no explicit references to services related to renewable energy or energy efficiency. As far as the issue of "new services" was concerned, there were particular references to services associated with new technologies such as carbon capture and storage services as well as smart grids services.

Carbon capture and storage

1.17. Carbon capture and storage (CCS) involves various services, such as identification of a suitable geological formation, CO₂ capture at the point of emission, transport to the reservoir and storage on a long term basis. On the one hand, it could be considered that CCS involves several services classified in different sectors and sub-sectors of W/120, in particular in business and transport services. On the other hand, CCS-related services might constitute "new" services.¹⁵

1.18. It was indicated that a distinction should be made between technology and services and technological neutrality was a fundamental principle in this regard. Classifying services associated with new environmental technologies should be considered on a case-by-case basis. Some argued that in some instances there could be old services associated with new technologies in the sense that "new" services in fact just involved new means of delivery enabled by technology, such as the remote monitoring of environmental performance via mode 1. CCS seemed to involve a series of "old" services, i.e. most CCS-related services were covered under W/120.¹⁶

1.19. More specifically, there were different views as to how to classify services related to CCS. One view was that such services could be found in "Other environmental services" (CPC 9409) if they were environmental, and the engineering aspects would be covered under engineering services. Another view was that CCS services could be put in the category of nature and landscape protection services (CPC 9406). A third view was that CCS could be covered by CPC 9404 or 9496; moreover, CCS-related services, such as business and transport services, should be classified

¹³ JOB/SERV/76, para.17-18.

¹⁴ JOB/SERV/88, para.5.

¹⁵ JOB/SERV/84, para.27-28; JOB/SERV/94, para.21.

¹⁶ JOB/SERV/88, para.28, 30.

under their respective sectors. Some considered that the issue of CCS-related services deserved more analysis because the environmental efficiency of these services remained to be tested.¹⁷

1.20. In this context, it was noted that many new environmental services were covered by or overlapped with existing services sectors. For example, many services that were integral to the provision of renewable energy, energy efficiency and low emission technologies could fit within established services categories. Such services included: project development advice; construction; design, engineering and consultancy; research and development; financing; operational management; renewable energy training and tertiary education programmes; analytical services, data collection, testing, system analysis, quality testing and assessment; installation; and repair and maintenance. This underlined the interrelationship between environmental services and all other service sectors.¹⁸

Smart grids services

1.21. A smart grid is an electricity network that uses digital and other advanced technologies to monitor and manage the transport of electricity from all generation sources to meet the varying electricity demands of end users. Smart grid services are likely to cut cross several W/120 sectors including telecommunication and computer services, and perhaps also services incidental to energy distribution.¹⁹

Services incidental to offshore oil and gas activities

1.22. It was noted that the increasingly challenging environment in which offshore oil and gas extraction took place was driving the development of new support services. New services emerged as a result of oil companies outsourcing processes relating to the exploitation of oil and gas resources.

1.3 Education services

1.23. Previous discussions noted that a number of services with no explicit entry in W/120 might be related to education services, such as testing services, education agency services. Concerning new developments in the delivery of education programmes such as twinning arrangements, it was pointed out that they did not raise classification issues, because they did not change the type of education service provided. The current classification system, in which education services were largely distinguished by level, would allow any multi-modal education provision to fit within the appropriate subsector without classification issue arising.²⁰

1.4 Health services

It was noted that such back-office services as medical record transcriptions, medical billing and coding services that were provided to support health services tended to be outsourced to specialized suppliers, including suppliers abroad. From the classification perspective, one question was whether services such as medical record transcription, medical billing and coding provided on a fee or contract basis were covered by W/120 and where they fall.²¹

¹⁷ JOB/SERV/88, para.28, 29, 31.

¹⁸ JOB/SERV/88, para.32; JOB/SERV/88/Add.1, para.5.

¹⁹ JOB/SERV/94, para.22.

²⁰ JOB/SERV/170, para.4.1, 6.1, 8.1.

²¹ JOB/SERV/158, para.5.2.