

DZ.3 & DZ.4 Treatment of 'free' Digital Products

Instructions

For each question, please provide the answer by clicking the relevant check box or by typing in the framed textboxes, which will automatically expand to fit the text.

Please note that the survey may reach one or more contacts in your agency; however, only one response is expected. A printable version of the questionnaire and the guidance note are available at the SNA Consultations webpage of the United Nations Statistics Division. If you have any questions, please contact:

nicola.massarelli@ec.europa.eu and **sna@un.org**.

We look forward to and highly appreciate your collaboration.

Sincerely,
Digitalization Task Team

Please provide your information below:

Country _____
Institution/Organization _____
Name _____
Position/Title _____
Email _____

1A. Is this topic of relevance for your country?

- High relevance
- Medium relevance
- Low relevance
- Not relevant

1B. Please elaborate.

(End of Page 1)

Introduction

This global consultation concerns two guidance notes produced by the Digitalization Task Team (DZTT), namely DZ.3 Treatment of “free” Digital Products in the “core” National Accounts and DZ.4 Recording and Valuing “Free” Digital Products in an SNA Satellite Account. Following indications from the Advisory Expert Group on National Accounts (AEG), the Digitalization Task Team (DZTT) has addressed the issue of “free” digital products in the National Accounts through two separate guidance notes. The first one, DZ.3, clarifies the treatment of “free” digital products in the “core” National Accounts, while the second, DZ.4, focuses on recording and valuing “free” digital products in an SNA satellite account. In both cases, no changes are expected to the SNA central framework.

The first guidance note argues that free digital products are already covered by the current SNA and describes their current treatment. It points out that both platform and non-platform market producers often bundle items that are free or priced below cost with marked up items to maximize profits, and the bundle as a whole generates revenue that is commensurate with the amount of production taking place. Digital platforms supply “free” products that facilitate the interaction of two or more parties. There is a funder side and a subsidized side. The funder side (e.g., an advertiser) pays a mark-up to the intermediary that covers the cost of the “free” products and then recovers that cost in the advertised product that it sells. The subsidized side (e.g., a household) indirectly pays for the use of the “free” products with the purchase of the advertised product. The salient point of the GN is that the ubiquity of bundled digital and non-digital products should have a consistent treatment in the SNA central framework and there should be no different treatment for “free” digital products.

The second guidance note summarizes considerations for recording and valuing “free” digital products in an SNA satellite account. The guidance note discusses the intersection of “free” digital products and data as an asset and then walks through the SNA sequence of accounts to outline three options for a satellite account. The first option merely separates the value of “free” digital products that are bundled in the value of other products under the current SNA treatment. The second option builds on the first option by including costs associated with the production of a data asset. The third option builds on the second option by including costs associated with the production of user-generated content.

Each option increases the visibility of the household's role as a final consumer of “free” digital products. All options avoid double counting the production of “free” digital products and minimise imputed transactions. The second and third options increase the visibility of the intersection of “free” digital products and data as an asset (which is covered in DZ.6). Likewise, the third option increases the visibility of the household's role in the production of digital content. Overall, the third option is recommended for an SNA satellite account on “free” digital products, as it aligns with the orientation to revise

the SNA to include "data" in the scope of the SNA production and asset boundaries and, in addition to what the second option does, makes visible the role of households as producers of free content.

When answering this global consultation, respondents may consider that these guidance notes are consistent and include dependencies with the guidance note on "DZ.6 Recording of data in the National Accounts", which is open for global consultation at the same time.

(End of Page 2)

2A. Do you agree that the production and consumption of free digital products of market producers including platforms is already covered in the 'core' national accounts and that no change to concepts in the SNA is required, but that an explanation should be included in the revised SNA?

- Yes
- No

This Question is Conditionally Hidden if: (2A = Yes)

2B. If no, please elaborate.

3A. Do you agree that a satellite account is the appropriate tool to give visibility to free products and related flows among sectors and institutional units?

- Yes
- No

This Question is Conditionally Hidden if: (3A = Yes)

3B. If no, please elaborate.

4A. Do you agree with the proposed definition/scope of "free" digital products for the satellite account?

- Yes
- No

This Question is Conditionally Hidden if: (4A = Yes)

4B. If no, please elaborate.

5A. Do you support the option for a satellite account on “free” digital products that includes costs associated with the production of a data asset and shows the exchange of “free” digital products for digital content generated by household users of online platforms (option 3 in the GN)?

- Yes
- No

This Question is Conditionally Hidden if: (5A = Yes)

5B. If no, please elaborate, including which alternative option you prefer.

6. Do you have any other comments on these guidance notes?

(End of Page 3)

7. Would your institution be interested in participating in an experimental estimate exercise?

- Yes
- No

8. In order to maximize transparency, we would like to publish responses to global consultations.

Do you give consent that your response to this questionnaire can be published?

- Yes
- No

(End of Page 4)
