SNA/M3.21/7.3

17th Meeting of the Advisory Expert Group on National Accounts,
15, 16 and 19 November 2021, Remote Meeting

Agenda item: 7.3

Digitalisation Task Team - Draft guidance note on ‘Incorporating Digital Intermediary Platforms into the national accounts’

While occasionally cited as an example of how digitalisation had detrimental effects on measurement within the national accounts, most DIPs are part of the formal economy and undertake market transactions like other economic units. **Therefore, conceptually, DIPs would be measured in the same manner as other economic units, as such, no specific change to the SNA is recommended.** However, due to the increasing prevalence of DIPs and the interest from users, guidance is required to assist in the classification of DIPs and the recording of their transactions.

DIPs are defined as *“Business that operate online interfaces that facilitate, for a fee, the direct interaction between multiple buyers and multiple sellers, without the platform taking economic ownership of the goods or services that are being sold (intermediated)”.* This is different to other online platforms that facilitate interactions outside the production boundary such as social media and discussion sites.

Currently many DIPs may not be classified consistently; resulting in their value added being assigned to a product or industry that may not accurately reflect their production activities as well as reducing the ability to compare DIPs impact on the economy across countries.

Transactions involving DIPs can be recorded on either a “net” or a “gross” basis. The gross approach records the transaction as the DIP accepting the full payment from the consumer. In this case, a monetary payment is made from the consumer to the platform that then pays the producer. In the net approach, the payment for the good or service is paid directly to the producer, who then pays the DIP. The intermediation service product is treated as intermediate consumption towards the final product. This results in no transaction being recorded between the consumer and the platform (except when an explicit payment is made). **The net approach was endorsed implicitly as the desirable approach during the 12th meeting of the Advisory Expert Group; this should be made more formally.**

Two different options on how DIP could be included in the forthcoming revisions of the international industry (ISIC) and product (CPC) exist; such a classification would likely bring together (both digital and non-digital) intermediary services.

- Create a separate industry class or division, which would accommodate all DIPs (and non-digital intermediary service providers) regardless of the underlying product they are facilitating.
- Formalise the current interim guidance provided to countries and keep the intermediaries as a separate class but within the same industry/division as the underlying product they are facilitating.

Fundamentally, it may be more statistically accurate to classify intermediary platforms together, as all undertake the same economic activity and produce the same service. However, to accurately classify intermediary platforms together in a separate division would be dependent on the accurate and consistent application of the net approach, which may cause practical concerns. The TFISIC is currently favouring the creation of many different classes in different divisions.

Regardless of the classification decision, any category is likely to also include intermediary platforms that do not charge an explicit fee. This, along with the prevalence of free digital platforms, both those that provide intermediary services as well as other free digital services may result in a fundamental classification question needing to be re-considered. Simply put it may be worth re-considering, or at least providing more guidance on whether a unit should be classified based on the activity it is providing to the consumer or based on the activity from which it derives revenue?

Questions for the AEG

- Does the AEG still believe that net recording is the most appropriate guidance for countries?
- Does the AEG have a preference between classifying intermediary platforms together in a specific division on the basis of their similarities in activity (both digital and non-digital?) or for expanding the status quo, whereby they are included in a separate class but within the same division as the producers which they intermediate?
- Does the AEG believe that units that provide free digital services (including platforms providing intermediary services) be placed in the activity they undertake (i.e. intermediary services, services to transport, and communication) or in the activity that they derive revenue (advertising, data creation)?
- Does the AEG believe that this issue needs specific addressing by the TFISIC?
- Are there any other challenges foreseen in the compilation of the relevant results that have not been addressed in the GN?

Draft guidance note on

Incorporating Digital Intermediary Platforms into the national accounts

Introduction

1. **This guidance note discusses the challenges involved in incorporating digital intermediary platforms (DIPs) into the system of national accounts.**

2. **DIPs are a quintessential example of digitalisation's dramatic effect on the economy**. The digital transformation has allowed producers to interact with previously unreachable consumers (including those in other geographical locations) at relatively low costs, lowering the entry barrier and bringing in producers previously excluded from the market. At the same time, it has gifted consumers' unprecedented knowledge in regards to the different prices and quality on offer. Importantly, both sides of the transaction are able to derive economic benefit from using the DIP even if it charges an explicit fee for the intermediation service. It is for this reason that DIPs are now omnipresent in the economy, facilitating the exchange of almost all kinds of products.

3. **While occasionally cited as an example of how digitalisation had detrimental effects on measurement within the national accounts (Coyle, 2017); on the face of it, the concern that DIPs have had a significant impact on possible mismeasurement appear limited (Ahmad & Schreyer, 2016) .** Most DIPs are part of the formal economy, undertaking market transactions like other economic units. Therefore, conceptually, there is no reason why business-to-consumer transactions via DIPs would not be measured in the same manner as other economic units. The three largest challenges seems to be:
   - Due to their infancy, some statistical classifications and data collections may have not kept pace, creating difficulty in properly identifying their specific economic activity in a timely manner, particularly if DIPs in one industry are driving out of the market more traditional intermediaries who may be homed in different industries.
   - DIPs also change the traditional consumer / producer paradigm, which may create instances where households play a different role in production than before.
   - DIPS also act as a vehicle to create data as an asset, which is currently excluded from the SNA, but can form a significant element of gross value-added created by these businesses.

4. **Intermediation is not new; within certain industries (i.e. travel agencies, ticket sellers) intermediation has been a standard business process for a long time.** However, digitalisation has not only transformed these previous business processes but has likely increased the overall amount of intermediation in the economy including by economic units operating in different geographical locations. It is no understatement to say that DIPs can now facilitate transactions in just about all products, ranging from household appliances to insurance to take-away food, just to name a few, facilitated from anywhere in the world.

5. **Challenges related to DIPs from an SNA perspective include appropriate classification of the intermediation services, the recording of the related transactions, especially the cross-borders flows; as well as how DIPs that do not charge an explicit fee for their intermediating activities should be treated. The guidance note on valuing data as an asset will also be highly relevant for some DIPs.** This guidance note starts by explaining what a digital intermediary platform is and,

importantly, how they differ from other types of digital platforms and online economic units. The paper then elaborates why the proliferation in DIPs has caused some specific challenges for the macro-economic statistical community, before outlining considerations on how their transaction should be recorded and how they may be incorporated into the relevant statistical systems.

What are digital intermediary platforms?

6. **The past few years have seen a proliferation of digital intermediary platforms, with both producers and consumers strongly embracing their use**. Before discussing the treatment and classification of DIPs, it is worth confirming what a digital intermediary platform is and what it is not.
7. **The handbook on digital trade and the SNA guidance note on Digital SUTs define DIPs as;**

"Business that operate online interfaces that facilitate, for a fee, the direct interaction between multiple buyers and multiple sellers, without the platform taking economic ownership of the goods or services that are being sold (intermediated)". (ISWGNA, 2021, OECD-WTO-IMF, 2019)

8. **Digital intermediary platforms are one subset of the broader group of digital or online platforms**[1]. In 2019, the OECD, after extensive consultation, proposed a broad definition of online platforms as "*a digital service that facilitates interactions between two or more distinct but interdependent sets of users (whether firms or individuals) who interact through the service via the Internet".*[2] Importantly, this definition is for all digital platforms including those that are beyond the scope of DIPs.
9. **There are also "online platforms" that facilitate non-economic interactions such as social media and discussion sites. While these could be considered online platforms, they are not DIPs[3].** While these "online platforms" facilitate "interactions" between users, there is no market transaction (nothing sold) and, importantly, from a SNA perspective, no explicit production occurring between the platform and either independent party involved in the interaction. This is in contrast with DIPs, which intermediate a transaction that not only creates an economic flow, but in many cases does so in exchange for an explicit fee (a market transaction) from either the producer, the consumer or both[4].
10. **Whether or not the DIP charges an explicit fee in exchange for facilitating a transaction is an important delineation point when classifying digital platforms within the system of national accounts.** The charging of a fee is clear evidence that the DIP is producing an intermediary service product and value added is being created by the DIP. Only DIPs "facilitating interactions between

[1] Online and digital are considered interchangeable in this note, as both terminology has been used in previous discussions. While the classification of the industry and product would need to consider the non-digital production, this note will focus on *digital* intermediary platforms only.
[2] See, An Introduction to Online Platforms and Their Role in the Digital Transformation, OECD Publishing, Paris, https://doi.org/10.1787/53e5f593-en.) Additionally this definition make a split between platforms and e-tailers and producers supplying services digitally by adding that the definition "*excludes businesses such as direct business-to-consumer (B2C) e-commerce and ad-free content streaming, as those serve only one set of customers. It does, however, include businesses such as third-party B2C e-commerce and ad-supported content streaming, because those services involve two separate sets of users*".
[3] Some examples of online platforms that are not DIPs are social media platforms (Tiktok, Instragram, Youtube), free newspapers, discussion forums (i.e. Reddit). DIP's have a more specific purpose of facilitating a good or service such as Airbnb, trivago, Booking.com, Taskrabbit, and Push doctor.
[4] This guidance will focus on explicit fees paid by producers, as this is the circumstance for a majority of platforms. However, many DIPs take an explicit fee from both consumer and producer.

two or more distinct but interdependent sets of users" that charge an explicit fee will be considered, from a national accounts point of view, to produce an intermediary service product.

11. **If a platform is not charging an explicit fee to either the consumer or producer, they could be considered an *advertising and data driven platform*[5].** This is because they are likely deriving their revenue from selling advertising space or information sourced from collected data. Therefore, they should be considered along with other platforms that facilitate interactions (rather than economic transaction) or provide free digital services (online maps, budget Apps etc.).

12. **Importantly, if no explicit fee is charged to either of the independent parties involved, no final or intermediate consumption of the intermediary service product is taking place.** However, similar to other units that provide 'free' digital services (particularly those provided to the household sector), the value of this digital service could be calculated and included in a satellite account as recommended in the SNA guidance note covering free digital services.

13. **DIPs do not take ownership of the goods or provide the services that they intermediate.** This condition is explicitly mentioned in the definition used by the Digital SUT, while the handbook on digital trade also includes the condition of not taking economic ownership of the goods and services being intermediated.[6] This is a further important distinction that separates DIPs from traditional retailers or producers who may operate through a digital platform. Because they do not take ownership of the good or service that they are selling, there is reduced ongoing business risks or costs. This is a stark contrast to the traditional re-sellers of goods who usually have some form of inventory, and certainly different from the provider of services who would have some form of employment relationship or contract (and the costs this incurs) with the people who would ultimately do the work.

14. **Many economic units who may appear to be a DIP are likely to be "deployer of services**". An example may be a builder who sub-contracts out specific trades on behalf of the consumer. These producers are different from intermediaries in two ways. First, they enter into contracts with the consumers themselves to supply the entire service before sub-contracting out some of the productive activities. Therefore, they have a financial risk regarding if the work is not completed or completed to a low quality. Secondly, they dictate the final amount paid by the consumer. A true intermediate has no control over the price that is charged by the producer to the buyer, despite being paid to facilitate the transaction[7].

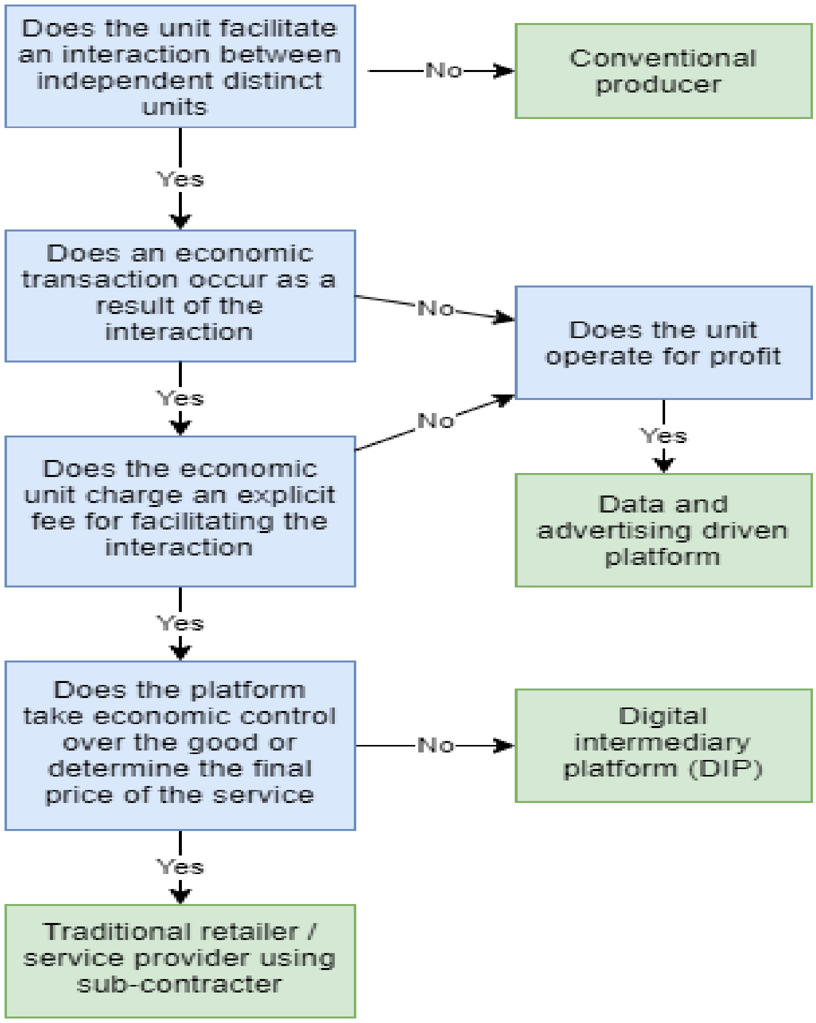
15. **Figure 1 below outlines a basic decision tree that assists in allocating economic units to the relevant categories.** These include: Digital Intermediary platform; advertising and data driven platform; E-tailor/goods and service provider using sub-contractors; NPISH platform; and conventional producer. The delineation in this decision tree is purely from an SNA standpoint where one category is producing the intermediary service product and the others are producing

[5] This digital industries of "digital intermediary" and "data and advertising driven platforms" are both outlined in the SNA research guidance note on Digital SUTs, see https://unstats.un.org/unsd/nationalaccount/RAdocs/DZ5_Digital_SUTs_Paper.pdf

[6] A reference to ownership of the goods and services was also included in the most recent discussion of TFISIC which defined intermediation services as *"activities that facilitate transactions between buyers and sellers for a fee or commission, without taking ownership of or supplying the goods, services that are intermediated. These activities can be carried out on digital platforms or non-digital channels. The fee or commission can be received from either the buyers or sellers and can include other sources of income, such as revenues from advertising"*.

[7] It is for this reason that some intermediates who advocate for one side more than the other may not be true intermediates, i.e. real estate agents. Such a characteristic could be another delineation between different types of intermediary services, or for practical reasons it could be ignored.

other products such as retail, advertising and data analytics, or even not producing a product at all.



Why is this a problem for the national accounts?

16. **While DIPs may create practical classification and measurement challenges, there is no fundamental conceptual measurement issue in regards to DIPs, therefore the production and consumption associated with them should already be included in the national accounts**. Similar to economic units producing non-digital intermediation services, the transactions should be recorded for all three parties involved in the transactions. Consumers should record the spending made via DIP in consumption surveys, just as producers should record sales (and subsequent GVA) via DIPs in traditional business surveys. Finally, traditional business surveys should extend to DIPs themselves who are recording sales, expenses and subsequent GVA, similar to a conventional business. However, several practical issues need to be borne in mind.

17. **Although the majority of DIPs are legal entities and should all be included in business registers and considered part of the formal economy, they are often considered a gateway for the informal sector.** This is because the producers who utilise certain platforms may be more likely to not be registered for tax purposes, be included in business surveys (particularly if they are unincorporated households) or to under-report activities[8].

18. **Currently many DIPs may not be classified consistently; resulting in their value added being assigned to a product or industry that may not accurately reflect their production activities as well as reducing the ability to compare DIPs impact on the economy across countries.** The current recommendations regarding their classification[9] were release in September 2017 as a form of temporary guidance, prior to a formal revision of ISIC. These recommendations suggest that if an appropriate support or agency class exists, the unit "is classified to the industry of the specific activity (e.g., travel agent, reservation service)" if such a support or agency class does not exist then it should be classified to "the industry of the principal (e.g., telecommunications for selling telecommunication services on a commission or fee basis)." Since these recommendations were made separate to a traditional industry classification update, it is unclear how concretely it has been implemented.

19. **Even if classified in line with the current recommendations[10], the specific output and value added from these units is likely invisible within the current national account aggregates.** Some divisions have agency or commission based classes where intermediation services (both digital and non-digital) could be placed[11]. However, many do not and, as such; intermediary platforms would be placed with the principal product that is intermediated. Either way, since most countries do not publish SUTs below the division level, even when a separate class does exist, the output of these economic units will likely be incorporated into the output and value added of the division of the principal activity/product it is intermediating.

20. **Due to the large amount of non-resident DIPs active in the economy, reconciling resident buyers and producers transacting via non-resident DIPs is also a large measurement issue.** The largest difference that digitalisation has made to the intermediation service industry is the ability for non-residents to intermediate a transaction between resident producers and consumers. While various multinational DIPs place subsidiaries in countries where they are active, several do not. If the DIP is not in the business register and not being surveyed it may not be possible to estimate its specific involvement with the domestic economy directly (in this case the value of the intermediation services being imported). While conceptually a difference could be calculated based on the amount domestic consumers pay compared to the amount that domestic producers receive, such a reconciliation is unlikely feasible at a level that is statistically useful.

---

[8] Examples of this include food delivery drivers, freelance professionals and household manufacturers selling online. These activities are clearly still within the production boundary and, thus, due to the proliferation of DIPs, statistical offices may be forced to re-evaluate some of the models and methods used to calculate the informal economy's contribution to aggregate GVA for certain industries, particularly in terms of weighting survey responses.

[9] See Intermediaries in the Provision of Services and Classification in ISIC https://unstats.un.org/unsd/classifications/expertgroup/egm2017/ac340-10.PDF

[10] See previous footnote.

[11] For example, see ISIC class, 4799 retail sale by non-store commission agents, class 6622, Activities of insurance agents and brokers, 7911 Travel agency activities, and 7990, Other reservation service and related activities. While not an exhausted list, it should be noted that many of these classes also contain unit that are standard producers selling to a consumer, for instance, class 7990 contains travel guides.

21. **These practical measurement challenges have reduced the visibility of DIPs' contributions to the economy in the national accounts, which causes two important issues for national accountants;**

- **The perception of either uncounted or mismeasured components of the production chain, which cast unwanted doubt on the accuracy of the estimates as a whole.**
- **A reduced interpretability of the results and therefore a decreased usefulness of the national accounts for users interested in this field.**

22. **Since the intermediation service as provided by the DIP is often not explicitly paid for by the final consumer, people may assume that no production is taking place and that no value added is being created.** In fact, DIPs often add an additional link in the production chain, moving "production" from a business providing a good or service to a new independent entity. In theory, rather than disappearing, a portion of the overall value added has just been transferred from the producer to the DIP in the form of a new (intermediation service) product. Producers have had to adapt and now often face an additional cost (payment to the DIPs) in order to maintain a level of demand, an additional cost that may be passed on to the consumer in the final price or borne by the producer, thereby reducing profits.

23. **Platforms that do not charge an explicit/direct fee to the producer or consumer are still producing output on the basis of which they generate value added, just not the intermediation service output.** Since there is no explicit fee, the platform (which would not be considered a DIP) is adding value through the production of another product, e.g., providing advertising or producing data that can then be sold. As covered in the preliminary discussion on free services, the user of the platform is then still paying, but in an indirect way, facilitating a different type of production to occur.[12]

24. **There is a growing need to increase the visibility of DIPs to clarify the new way in which products are being sold to consumers and to explicate the value added that is generated via this new type of intermediation.** Not only would this explicit information improve user confidence that all the value-added arising from the production chain is being accounted for, it would also allow for improved analysis of where along the chain production is taking place and improve productivity statistics.

25. **To properly record all relevant transactions, the value of the production contributed by each industry and the actual product(s) produced in the production chain need to be appropriately delineated**. A delineation would properly represent the economic flows taking place. This would, for example, help in analysing price changes, as the different components of the transaction may behave differently in terms of prices, productivity, etc. For example, if the final price for a holiday package paid by the consumer purchased through a DIP shows strong growth over a period, is this because the provider of the holiday package is charging a higher price for the same holiday package? Alternatively, are the higher prices due to a new type of cost embedded in the price to also pay an additional third party (the DIP) to ensure demand is maintained? In the latter case, the price increase is not benefiting the provider of the holiday package, but rather the DIP involved in the chain of production.[13]

---

[12] See presentation at the 14th meeting of the AEG;
https://unstats.un.org/unsd/nationalaccount/aeg/2020/M14_5_3_2_Free_Digital_Assets_Services.pdf

[13] It is important to add that consumers may be happy to pay this extra cost in exchange for the ease of comparing different holiday experiences that the DIP offers, but it is important that statisticians are able to identify where such a price rise is coming from.

26. **As the level of output produced by DIPs grows as well as their value-added, it will become even more important for statisticians to quantify their impact.** This includes the level of inputs they use, the labour they employ, investment they make and the overall productivity gains/losses associated with these activities. The ILO has suggested that "the number of employees directly hired (internal employment) by platforms is a mere fraction of the number of workers whose work is mediated" (ILO, 2021). In order for policy makers to know this fraction with greater certainty, as well as to have a greater awareness of the benefits (and risks) that DIPs can create, these types of inter-relations between the different economic units need to be fully understood.

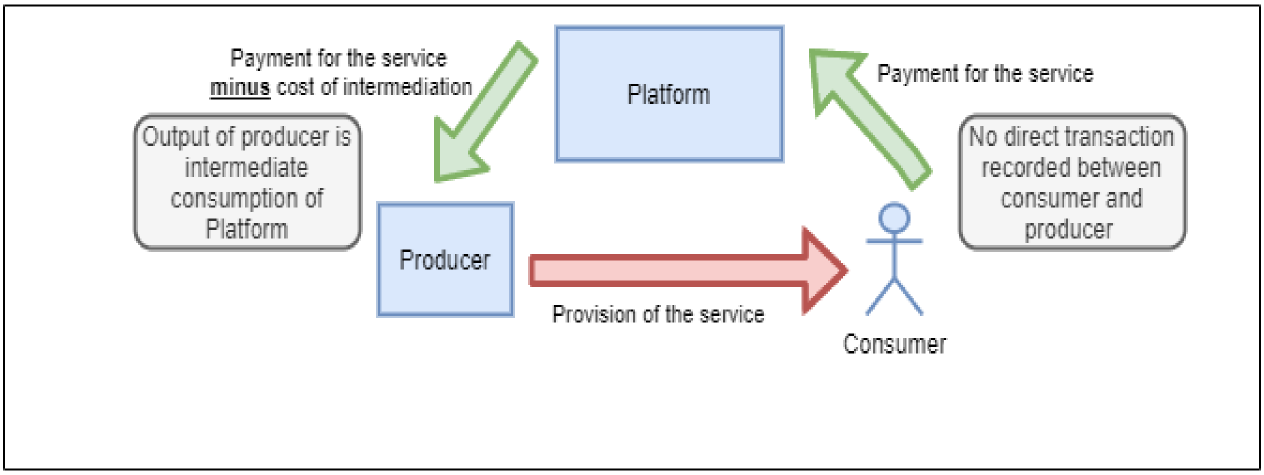
What are the possible options for recording the flows of a DIP?

27. **Transactions involving DIPs can be recorded on either a "net" or a "gross" basis.** The difference between the two is whether a strict interpretation of "following the money" is applied or whether not every transaction between the three parties involved is recorded and instead only the net flow resulting from the transactions is accounted for. The impact on trade statistics may be significant depending on whether the DIP has a domestic subsidiary. If they do not, many of the transactions would involve a non-resident DIP and resident consumers and producers.

28. **The gross approach records the transaction with the DIP accepting the full payment from the consumer.** This is outlined in Figure 2. In this case, a monetary payment is made from the consumer to the platform that then pays the producer (after keeping some of the payment itself in exchange for facilitating the transaction). In some cases, this may appear the correct treatment; the buyer usually interacts only with the DIP regarding the payment. The interaction with the provider is exactly that, an interaction, often only around the provision of the service, rather than a monetary transaction. Additionally, the producer never seeks payment from the buyer; instead, the producer will seek payment from the platform, which may be holding the payment in trust until the service is provided.

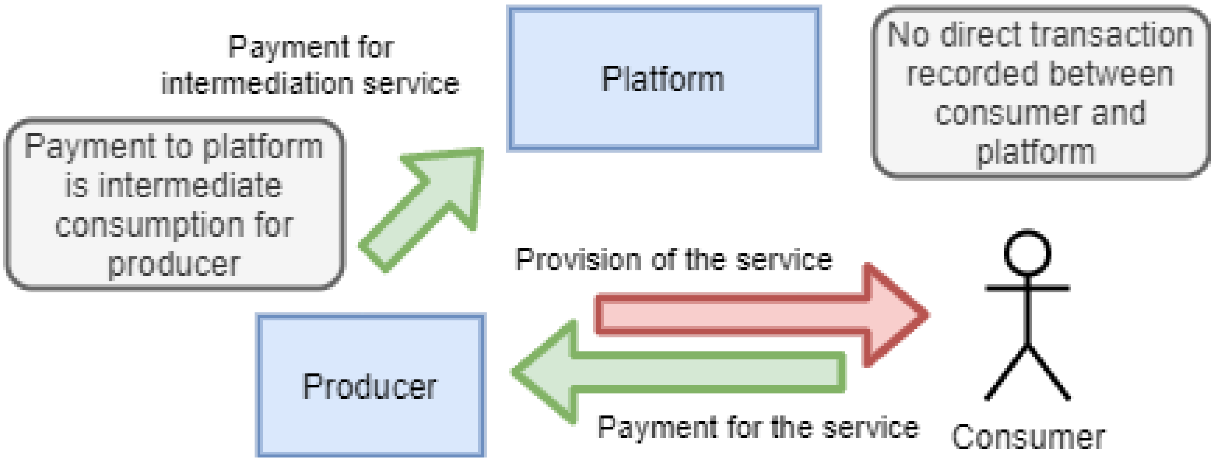
29. **This treatment treats DIPs in as similar way to a traditional retailer.** In this circumstance, the DIP appears to buy "wholesale" from a producer and resell to the final buyer. However, as discussed, this practice is not reflecting the actual role that the DIPs are taking, i.e. not taking any ownership of the goods or services in question and having a reduced level of financial risk.

Figure 2: Flow of transactions related to digital intermediary platforms, gross approach



30. In the net approach, the payment for the good or service is paid directly to the producer, who then pays the DIP. The intermediation service product is treated as intermediate consumption towards the final product. This is outlined in Figure 3. In this approach, the output of the platform is consumed by the producer, not the other way around, as is the case in the gross approach. This results in no transaction being recorded between the consumer and the platform, even though in reality these flows can often be observed[14]. For several reasons, it is preferred to redirect this payment from the consumer to the actual producer, that is to say, to apply the net approach.

Figure 3: Flow of transactions related to digital intermediary platforms, net approach



31. The net approach allows for a true reflection of the producers (and their industries) providing the relevant products to the final users. If the gross approach is applied, the value added of many producers who previously made goods that were consumed as part of final consumption will then be consumed as part of intermediate consumption by the platform. This would occur despite the fact that in reality they are not truly taking ownership, but just intermediate between the producer and consumer.

32. The gross approach would also distort the true level of output coming from the intermediary service industries. By incorporating the value of the intermediation service as well as the value of the underlying product would result in a greatly inflated level of output from the intermediation service industries. It is for this reason that the output and value added associated with the retail industry is also limited to just that involved with retailing the goods, rather than the entire value. Therefore the net approach not only removes these distortions but important, maintains consistency with other areas of the national accounts.

33. These distortions to the level of transactions would be particularly relevant for trade statistics due to the large number of DIPs that may not have a domestic subsidiary. Many DIPs may be non-resident, but match buyers and producers resident in the same country. In the gross approach, the value of the underlying product would be “traded” across borders twice, once from the producer to the DIP and then again from the DIP to the buyer, despite the product having likely never left the country of the buyer and producer. In that regard, the net approach alleviates the concern regarding artificially elevated trade statistics. In that case, the underlying product is

[14] A possibility here could be if an explicit fee, on top of the price of the good or service was paid by the consumer to the platform.

transacted directly between the producer and the buyer, and the only trade component is the intermediary service provided by the DIP, consumed once by the producer.

34. **The net approach was endorsed as the desirable approach during the 12th meeting of the Advisory Expert Group[15].** It has subsequently been included as the preferred approach in both the Handbook on Measuring Digital Trade and the Roadmap toward a Common Framework for Measuring the Digital Economy, published by the G20 Digital Economy Task Force during the Saudi presidency of 2020[16].

35. **While it may be considered conceptually superior, the net approach still poses significant measurement challenges and data requirements**. Due to the redirection of certain transactions, applying the net approach into the national accounts will likely require additional imputations by statistical offices. These may be possible based on information only available from the DIPs themselves. On the other hand, the same situation applies to trade margins, the only difference being that many DIPs may be non-resident, creating larger challenges to obtain the relevant data.

36. **The ability of statistical offices to identify and survey DIPs will be fundamental to their inclusion within the national accounts.** While conceptually a value for the intermediary service product can be derived as the difference between the amount paid by the consumer (derived from household surveys) and the amount received by the producer (derived from business surveys), reconciling these two amounts at the product level without information from the DIPs involved will likely pose a large statistical challenge.

37. **If DIPs do not have a domestic subsidiary, estimates may need to rely on modelling or firm level information sharing between compilers.** This form of data sharing on multinationals has often been spoken about to improve the quality of national accounts' outputs impacted by globalisation. Accurate representation of DIPs in domestic accounts provides another benefit to such an undertaking and would greatly benefit the quality of related trade statistics.

What are the possible solutions for classification?

38. **In the forthcoming revisions of the international industry (ISIC) and product (CPC) classifications, an explicit category catering to intermediary services (both digital and non-digital) could be included.[17]** Two different options on how this could be done within the complementary classification includes:

    - **Create a separate industry class or division, which would accommodate all DIPs (and non-digital intermediary service providers) regardless of the underlying product they are facilitating[18].**

[15] The AEG agreed although the net approach is preferred it may be subject to prevailing legal frameworks, where by some DIPs become more akin to standard producers due to the legal ruling regarding employee – employers' relationships. See https://unstats.un.org/unsd/nationalaccount/aeg/2018/M12_Conclusions.pdf

[16] See https://www.oecd.org/sdd/its/Handbook-on-Measuring-Digital-Trade-Version-1.pdf and https://www.oecd.org/sti/roadmap-toward-a-common-framework-for-measuring-the-digital-economy.pdf

[17] A revision would be required to both classifications, however this note focuses more on the industry classification as this appears to be where most of the challenges are currently faced and would have the largest impact on statistical outputs.

[18] Any classification intended to contain all intermediaries is not intended to extend to traditional financial intermediation undertaken by banks and other deposit taking institutions. Units that undertake the more traditional financial intermediation should be excluded, as they are ostensibly taking ownership of the underlying assets and actually running financial risk with regard to their intermediation role. This is very different from the basic definition establish for DIPs earlier in the guidance note. On the other hand, crowdsourcing platforms or digital mortgage brokers, that simply bring together potential borrowers and lenders, operating on the basis of a fee, would be regarded as DIPs

- **Formalise the current interim guidance provided to countries and keep the intermediaries as a separate class but within the same industry/division as the underlying product they are facilitating.**

Alternatively, a change could be made within the SNA to extend the definition of the retail service so that units that were intermediating goods and services could perhaps fall under this industry. However, not only would this require a change to the SNA in regards to the margins to be placed on the re-selling of services, it would go against the idea of DIP not taking ownerships of goods included in the definition of the intermediaries provided earlier, additionally it would likely create a section that becomes too large for useful statistical analysis.

39. **If DIPs were moved to a separate activity division, the production from facilitating transactions between producers (in a separate division) and consumers may be better identifiable.** The DIP would be supplying services that would be consumed as intermediate consumption by the producers' industry.[19] The producers would then supply the final good or service, recorded in one of the final demand categories in the supply-use tables. This would be consistent with the net approach outlined in Section 5.

40. **Fundamentally, it is arguably more statistically correct to classify intermediary platforms together as all undertake the same economic activity and produce the same service.** For example, UBEREATS and Airbnb have much more in common than Airbnb with a hotel or UBER with a restaurant. Both platforms are only concerned about meeting a producer with a buyer. The content of the final service, such as the quality of the hotel/apartment or even the price charged are somewhat inconsequential to the platform. Rather the DIP is only concerned with finding a buyer who has similar demands in content and price with a producer who is able to supply those requests.

41. **Importantly, the classification of intermediary platforms together in a separate division is dependent on the accurate and consistent application of the net approach.** If statistical offices are not able to separate the gross output of the DIPs from the output of the producers supplying the underlying product, then users would likely prefer that they remain in the same activity as they good/service they are intermediating. Otherwise, the majority of output and value added may be placed in an incorrect industry. For example, the amount paid to Airbnb, which would include the value of the accommodation would not be placed in accommodation services.

42. **Formalising the current guidance provides an easier transition for statistical offices, while still potentially allowing the activity of DIPs to be identified at a lower level.** Since most SUTs and other industry-based outputs are not published below division level, keeping DIPs in the same division as the underlying product has the practical advantage of reducing the amount of changes needed to existing time series. However, this would result in the output being produced and subsequent value added of these DIPs only being identifiable in specific dis-aggregated data.

43. **Any classification decision is likely to also include intermediary platforms that do not charge an explicit fee.** If DIPs were placed in their own division or into a new class in the division of their underlying product, this would include all units that "operate online interfaces that facilitate, for a fee, the direct interaction between multiple buyers and multiple sellers, without the platform taking economic ownership of the goods or services that are being sold (intermediated)". However, this would imply that those platforms undertaking this activity without charging a fee would be excluded from this division, with no obvious other place to be classified. Therefore, it is

[19] If an explicit fee were paid by the consumer then the services supplied by the DIP would be consumed as final consumption.

likely that if a classification is created for DIPs that it will also include all units facilitating transactions between buyers and sellers, including those doing so free of charge. This would make a lot of sense from an industry point of view, as they are undertaking the same activity and in fact, the most recent definition put forward by the ISIC task force reflects this (See footnote 5). However, in terms of production from a national account point of view, they will likely produce different types of outputs.

44. **The prevalence of free digital platforms, both those that provide intermediary services as well as other free digital services may result in a fundamental classification question needing to be re-considered.** Currently, in the industry classification, social media and other units that provide free digital services are placed together with units providing similar services for a fee (i.e. phone applications). They are not placed with the advertising firms and data analytics firms, despite the fact that they are drawing revenue from similar kinds of services. The underlying question is on the basis of what criteria a unit should be classified, i.e. on the basis of the main role it fulfils in the economy (in this case intermediation) or the main activity from which it derives its value added (in this case advertising and data analytics)[20]. This question has existed before but has become a more important issue due to the ease with which firms can leverage advertising and data opportunities through digitalisation. Therefore, it may be worth re-considering if a unit should be placed in the activity it is providing to the consumer or in the activity from which it derives revenue.

Conclusions

45. **Better representing DIPs in the industry and product classifications will create the opportunity for NSOs to separate out DIPs from the underlying products they are facilitating and produce aggregates that provide greater clarity for users, highlighting the new ways in which products are being transacted and highlighting the specific role of DIPs in all of this.** The guidance note does not intend to pre-empt the work of the ISIC and CPC revisions by advocating a particular classification, but it appears that at a minimum the CPC and ISIC need to acknowledge the specific type of service as provided by these entities. Having DIPs and the service they produce explicitly classified, even together with non-digital intermediation providers as producers of the intermediation service product will be the single biggest help to NSOs attempts to appropriately recording these units and the product(s) that they produce.

46. **The classification of DIPs that do not charge an explicit fee re-ignites a previous discussion regarding classifying units based on their "fundamental" activity or their "productive" activity.** For-profit platforms that generate transactions without charging an explicit fee must also be undertaking another activity, in most cases, data production or generating a medium that can be used for advertising. Not classifying them with other data producers or advertisers would appear to be at odds with ISIC intent to be a "standard classification of productive activities" or to "categories in such a way that entities can be classified according to the economic activity" (ISIC Rev. 4). However, such a change would also impact other categories such as broadcasting, newspapers and possibly government-funded corporations.

47. **NSOs should strive to record transactions involving DIPs on a net basis.** While the conceptual merit in this is clear, such a recommendation is dependent on the institutional setup of respective

[20] Currently the ISIC states that "Ideally, the principal activity of the unit should be determined with reference to the value added to the goods and services produced" however a strict interpretation of this may result in the reclassification of all units that do not explicitly charge consumers for their services as this activity is not producing value added.

DIPs, such as if they have subsidiaries in each country that they operate. Such dependencies may limit countries ability to measure DIPs consistently using the net approach.

48. **If DIPs cannot be directly surveyed due to them being non-resident, NSO should attempt to delineate the output of producers and consumption (likely by households) made via DIPs**. Such efforts will assist in re-assuring users that domestic consumption and domestic production via DIPs are included in the domestic national accounts even if the value added associated with matching the producer and consumer (likely provided by a non-resident DIP) is not explicitly shown. Furthermore, possibilities need to be explored to exchange information on multinational DIPS, to provide countries with the relevant information.

Questions for AEG

I. Does the AEG have a preference between classifying intermediary platforms together in a specific division on the basis of their similarities in activity (both digital and non-digital?) or for expanding the status quo, whereby they are included in a separate class but within the same division as the producers which they intermediate?

II. Does the AEG believe that units that provide free digital services (including platforms providing intermediary services) be placed in the activity they undertake (i.e. intermediary services, services to transport, and communication) or in the activity that they derive revenue (advertising, data creation)?

III. Does the AEG believe that this issue needs specific addressing by the TFISIC?

IV. Does the AEG believe that net recording should still considered the most appropriate guidance for countries?

V. Are there any other challenges foreseen in the compilation of the relevant results that have not been addressed in the GN?

Suggested questions for global consultation

I. Are countries able to identify intermediary platforms, in order to include them in business surveys?

II. Are Countries able to apply the net recording approach to transaction that involve DIPs

References

Ahmad, N., and P. Schreyer (2016), "Measuring GDP in a Digitalised Economy", OECD Statistics Working Papers, No. 2016/07, OECD Publishing, Paris. Available at: https://doi.org/10.1787/5jlwqd81d09r-en.

Coyle. D. 2017, "Do-it-yourself digital: the production boundary and the productivity puzzle" ESCoE Discussion Paper 2017-01, June 2017. Available at https://escoe-website.s3.amazonaws.com/wp-content/uploads/2017/10/04130736/ESCoE-DP-2017-01.pdf

ILO, "The role of digital labour platforms in transforming the world of work" International Labour Office, Geneva; available at: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_771749.pdf

ISWGNA, "Guidance note on increasing the visibility of digitalisation in economic statistics through the development of Digital Supply-Use Tables", Intersecretariat Working Group on National Accounts, 2021, Available at; https://unstats.un.org/unsd/nationalaccount/RAdocs/DZ5_Digital_SUTs_Paper.pdf

OECD, "Digital Supply-Use Tables, a step towards making digital transformation more visible in economic statistics," Going digital toolkit note No. 8, available at; http://goingdigital.oecd.org/data/notes/No8_ToolkitNote_DigitalSUTs.pdf

OECD-WTO-IMF (2019), "Handbook on Measuring Digital Trade", OECD Publishing, Paris, 2019. Available at http://www.oecd.org/sdd/its/Handbook-on-Measuring-Digital-Trade-Version-1.pdf

United Nations Statistics Division, (UNSD) (2008), "International Standard Industrial Classification of All Economic Activities", Revision 4. (ISIC Rev 4.) New York, 2008. Available at: https://unstats.un.org/unsd/publication/seriesm/seriesm_4rev4e.pdf