



Digital Intermediary Platforms

Advisory Expert Group,
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Digital Intermediary Platforms (DIPs)

- 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)”*.
- Taken from **Handbook on Digital Trade, Guidance note on Digital SUTs** and aligned with **TF-ISIC definition** on all intermediary services,
- Currently many DIPs may be **classified and recorded inconsistently**;
 - Their output (as recorded in the accounts) may not accurately reflect their productive activities.
 - Reduces the ability to compare DIPs impact on the economy across countries.



There is no fundamental conceptual problem...

- DIPs are **not the cause of all that's wrong** in the national accounts...they're just misunderstood.
- Part of the formal economy and undertake market transactions like other economic units.
- 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 prevalence of DIPs, the international perspective, and interest from users, guidance is required to appropriately classify and record their transactions.





Where do we need guidance

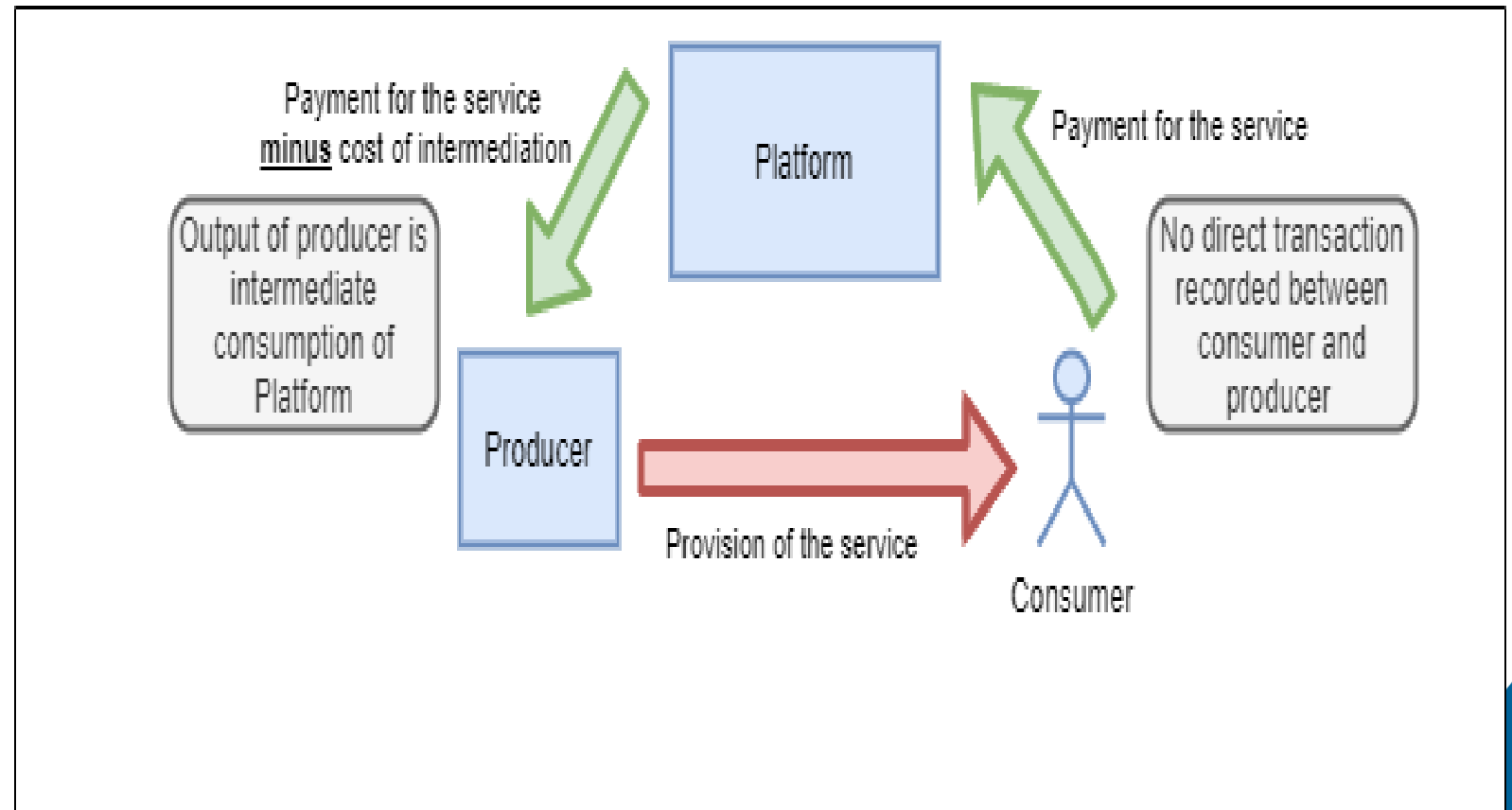
- Net recording vs Gross recording
- Classification
- How to classify firms that offer free services.



Net Vs Gross

Gross Approach

- Similar to Retail
- Output of producer is purchased by platform.
- Consumer purchases direct to platform

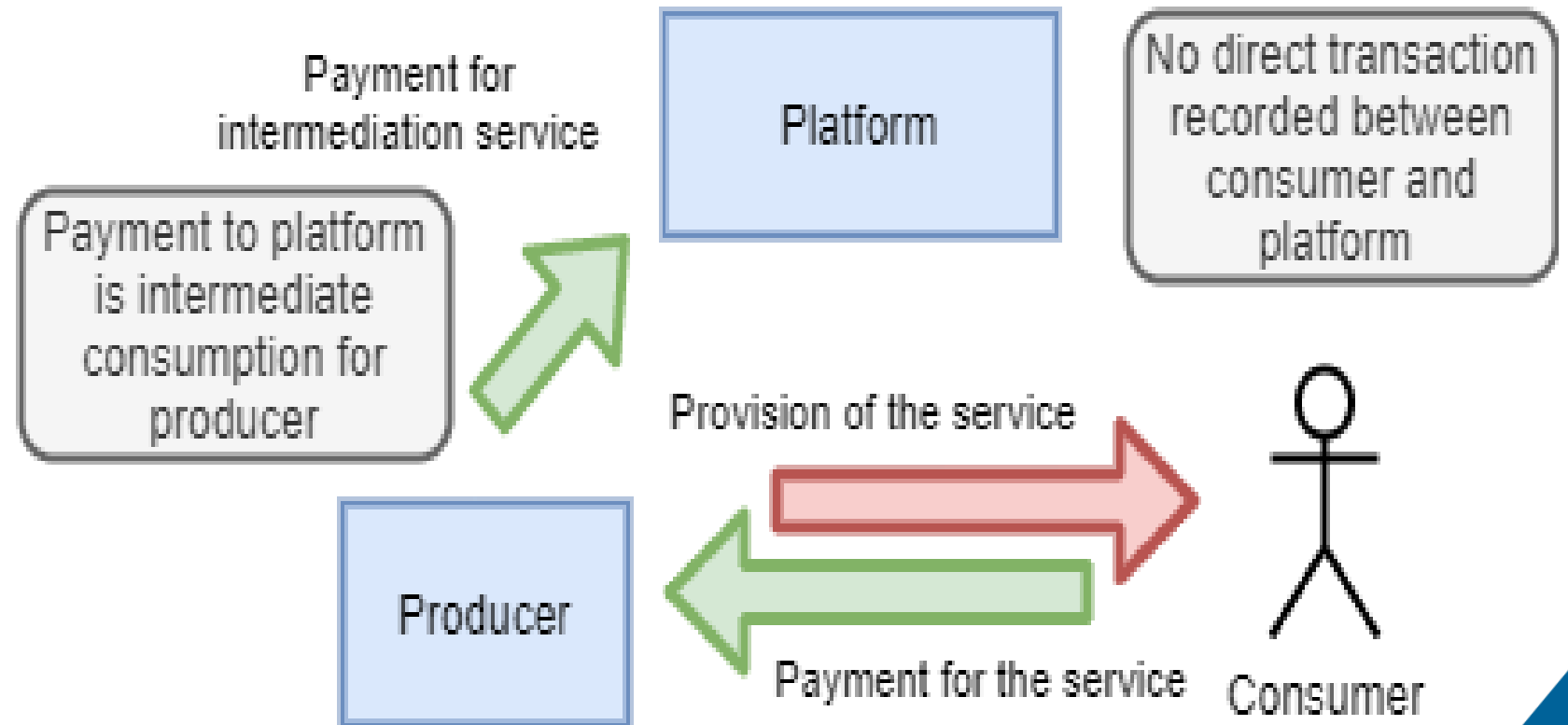




Net Vs Gross

- Consumer buys direct from producer
- No transaction recorded between platform and consumer (unless explicit)
- Majority of the value stays as output of producer

Net Approach





Net Vs Gross

- **Gross approach**

- More reflective of real world? – i.e. normally you pay the platform
- Much easier for NSO's to implement.

- **Net Approach**

- Arguably a better reflection of the production chain – assigning production to the appropriate products & activities
- **No distortion** of either domestic or international indicators.
- Consistent with definition, (intermediaries don't take ownership).



Net Vs Gross

Relatively clear conceptually... need to confirm what countries can and can't do.

- Can countries apply the net approach?
- Can countries identify DIPs?
- Can countries generate estimates, if platforms are mainly non-residents?





Classification in ISIC

The TF ISIC considered two options

- Create a **separate division**, to accommodate **all DIPs** (and non-digital intermediary service providers) regardless of the underlying product they are facilitating.
- Create a **separate class within the same division** as the **underlying product** - formalise the current interim guidance they are facilitating.



Classification in ISIC

- **Classify together**
 - DIPs are arguably undertaking **the same activity**, ISIC should reflect this.
 - Less concern about confidentiality - is the alternative even **a realistic option?**
 - No concern about DIPs that facilitate multiple products.
- **Classify with underlying product**
 - If **net approach not possible**, would keep the bulk of the value in the correct division.
 - Are DIPs becoming a **fundamental part of the standard delivery mechanism** for some products.



Classification of free services

- Regardless of the classification decision, any category is likely to **also include intermediary platforms that do not charge an explicit fee.**
 - Are these DIPs?
 - What about other free digital service platforms?
- Simply put **Should a unit be classified based on the activity it is providing to the consumer or based on the activity from which it derives revenue?**



Classification of free services

- **Not new**, newspapers are in communication, not in professional services (advertising).
- **Most professional sporting teams.**
 - Only 20% of PSG revenue comes from ticket sales. Would anyone say they are not a sporting club?
- **Digitalisation** has made this **more prevalent.**





Classification of free services

Current guidance in ISIC;

- “The principal activity of the unit in general can usually be determined from the **goods that it sells... or the services that it renders**”. (Para 103)
- “Ideally, the principal activity of the unit should be determined with **reference to the value added** to the goods and services produced, The relevant **valuation concept is gross value added at basic prices**”. (Para 106)



Classification of free services

- TF-ISIC has discussed DIPs and Social media (Information and communication) to improve current classification. Free services extends wider than this.
- Fundamental classification principals **not currently high on TF-ISIC agenda.**
- There appears **little desire to create a giant advertising or data analytics group.**



Questions

- Should net recording (still) be considered the most appropriate guidance for countries?
- How should Digital Intermediary Platforms be placed within the industry classification?
- Should units that provide free digital services be placed in the activity they undertake or in the activity from which they derive revenue?
- Does the AEG believe that this issue needs specific addressing by the TF-ISIC?
- Are there any other challenges foreseen in the compilation of the relevant results that have not been addressed in the GN?