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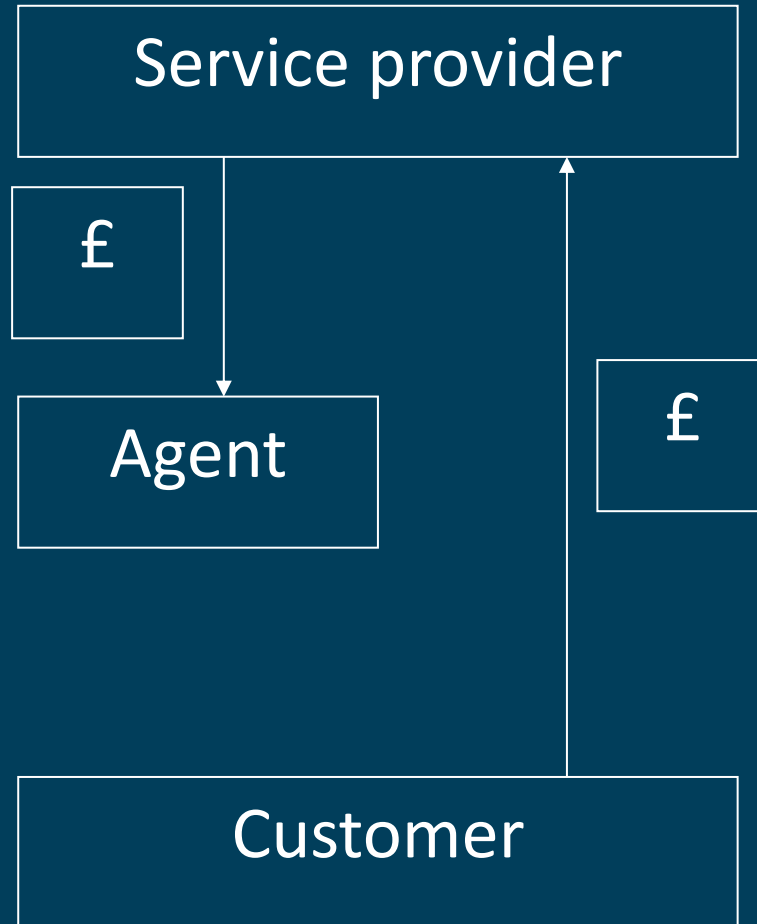
Cross Cutting Topics Part 3: Reselling of Services

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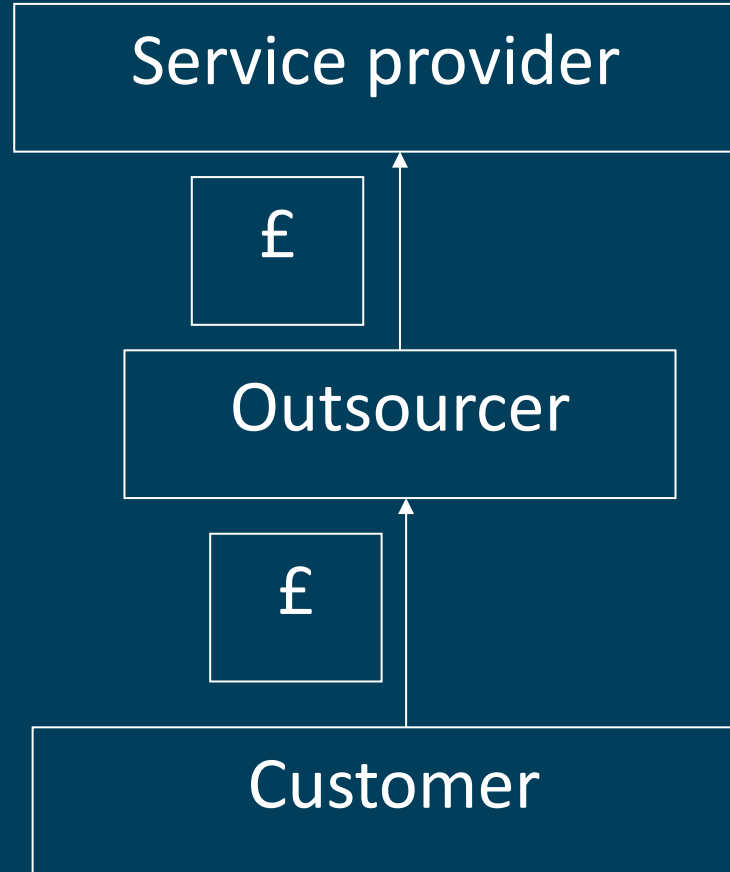
Definition

- Sale of a service where transaction doesn't occur directly between service provider and final customer.
- Two models for re-sale:
 - Agent
 - Outsourcer

Agent



Outsourcer



Net or Gross? Agent

- Price and turnover should be net
- Eg - real estate agent secures a 12-month contract for the rental of an office at a rate of £10,000 for the year and charges a 3% fee
→ SPPI or turnover collected should only aim to include the 3% fee (ie £300).
- Agent activity often distinguished in classification

Net or Gross? Outsourcer

- Price and turnover should be gross
- Eg - airline sells a ticket for a flight from London to Madrid for £100 but £10 of this represents the price paid by the airline for the baggage handlers
 - total price for the flight should be included in the relevant SPPI or turnover figure.

Identifying agents

- Can be difficult
- For production – key difference is ‘transformation’ - agents don’t transform
- For turnover – could use VAT returns instead
- For prices – need to understand pricing mechanisms

Other problems

- Double counting
 - Construction of net sector SPPI
 - Does anyone do this?
- Off-shoring
 - Should off-shoring be treated as an import?

Quality adjustment

- Should SPPI be quality adjusted if service re-sold changes?
- Production cost approach
 - Agent – no quality adjustment
 - Outsourcer – quality adjustment
- User value approach
 - Agent & outsourcer – quality adjust

Summary

- Two methods for re-selling service – agent or outsourcer
- Key difficulties
 - Identifying agents and outsourcers
 - How to capture net or gross turnover/prices
 - Unanswered questions – double counting & international transactions
 - Quality adjustment