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
Outsourcer

Service provider

£

Outsourcer

£

Customer
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 (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. The 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