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National Accounts and Economic Statistics

MINUTES OF THE NATIONAL ACCOUNTS EXPERT MEETING

Meeting held from 7th to 10th October 2003
Château de la Muette, PARIS

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MINUTES OF THE NATIONAL ACCOUNTS EXPERT MEETING, OCTOBER 7-10, 2003[1]

The agenda, papers[2] and slides used during the presentations are available on: http://www.oecd.org/document/27/0,2340,en_2649_34245_2513307_119808_1_1_1,00.html

Item 2: Treatment of public pension schemes: interim report of the moderator of the IMF EDG (P de Rougemont, IMF)

The chairman (François Lequiller) reminded the meeting that this issue is one of the most important one in the list of issues that is to be reviewed in preparation of the revision of the SNA, in a context where new challenges result from the aging of population and from the need of better international comparability of aggregates. Three main points are to be discussed: unfunded employers' pension schemes, social security obligations, and classification of pension schemes. However, the meeting will first focus on the first.

Presentation by the moderator

There was a request from ISWGNA to IMF in Autumn 2001 to set up an electronic discussion group (EDG) first on unfunded employers' schemes, to be then extended to social security. Concerning the former, GFS manual 2001 departs from SNA on three points: the recording of a liability for unfunded employer schemes, the use of actuarial valuation of flows, the recording of contributions and benefits as financial transactions only. It was underlined that similar developments were observed in the micro-economic accounting sphere. A few other questions arise to revise the treatment of pension funds' transactions in the SNA:

- Should defined benefits pension funds' net worth (net assets) be allocated to the sponsor (the employer)? If yes, what are the consequences on the recording of compensation of employees and distributed property income? Is there a flow of imputed interest to the sponsor?
- The output of pension funds: it is recorded only for autonomous ones in SNA. Should it be extended to non autonomous ones? In this context, what about the questionable boundary between income and holding gains?
- The dual recording (financial and non-financial transactions): the new GFS has dropped it (as well as the US, Australia and Canada in their national accounts). Should the SNA follow-up thus making the well-known equation work: Income – Consumption = Saving. The moderator called for approbation.

In the EDG, 28 contributions were received from 26 authors. This was followed by a straw poll questionnaire (SPQ) sent by IMF. The SPQ received 32 answers by 1 October 2003, which main result was a unanimous support for recognition of unfunded obligations (liabilities) for employer schemes, including general government as an employer.

[1] François Lequiller has coordinated these minutes, to which have contributed Charles Aspden, Esther Bolton, Michèle Chavoix Mannato, Jean-Pierre Dupuis, and Isabelle Ynesta.

[2] The minutes includes the name of the person who presented the paper. This name can differ from the one of the author(s).

Discussion

Participants strongly endorsed recognizing liabilities of unfunded employer schemes (Australia, Netherlands, Denmark, the UK, the USA) while no member expressed opposition, as the Chair asked for a *tour de table*. The Chair concluded that the OECD National Accounts Experts supported this change.

- Australia supported the inclusion on balance sheet of those unfunded obligations. It indicated this was in practice straightforward (as they already implement it), in contrast to proposed changes to the treatment of funded schemes, which would require more elaborated treatments.
- The Netherlands indicated that this recognition, which it supported, should not extend to social security and called for establishing clear criteria. Recording of transactions should be simple and imputations limited. A numerical example would be useful.
- Denmark supported inclusion on balance sheet, noting that transactions did take place. It noted that transfers of rights occurred and that the *1993 SNA* was unsatisfactory in this respect, particularly when transfers occur between (private) funded and (public) unfunded schemes: to obviate the problem, there was a need to "create some Fund". There was also a balance to find between the need to appropriately reflect the true cost of labour, which supposed some imputations as SNA already prescribes and the need to stay simple.
- The UK indicated that liabilities should be recognized and called for consistency.
- The USA indicated an agreement in principle. It mentioned the issue of measuring the cost of underfunded plans, as business accounting rules were sometimes too flexible for national accounts needs.

There was also support for changing funded schemes recordings[3].

- Australia supported the allocation of net schemes' assets to the sponsor as well as the use of actuarial values for the measurement of contributions. It suggested that the use of transfers may allow keeping a zero net saving of pension schemes, and would elaborate further via another EDG contribution. In relation to holding gains, it noted that holding gains were a source of funds for subsequent transactions.
- The Netherlands wondered whether the allocation of the net worth to the sponsor would not be in contradiction with the definition of institutional unit. It noted that recognizing a liability supposed the existence of an obligation and called for defining an adequate set of criteria. It noted that the terms underfunded / overfunded in SNA did not mean the same thing than for accountants. Regarding actuarial valuations, there would be a need for a numerical example. The recording of output and the treatment of holding gains/losses were not that clear in SNA.
- The Moderator noted that mutual funds and defined-contributions plans were examples of units with zero net worth.

There was hardly any support for the current SNA position on the dual recording of pensions (both non-financial and financial transactions):

- Australia noted that users did not understand it.
- The Netherlands indicated it was needed but may be shown as a memorandum item.

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3 Mainly: imputing pension funds' net assets to the sponsors, using actuarial values instead of actual values for both social contributions and property income payable by the scheme.

Conclusion:

The moderator indicated his intention to circulate a formal EDG questionnaire this Autumn and to provide an updated EDG report focussing on employers' schemes. The Chair confirms the support of OECD to this questionnaire and concluded that the positive orientations of the WPFS/NAEM in favour of recording liabilities in the case of unfunded employer pension schemes will be communicated to the Advisory Expert Group meeting in February 2004 in Washington DC.

Item 4: Recent developments in occupational pension plan accounting (J. Yermo, OECD, DAFFE))

Presentation

The presentation was based on interpretation and implementation of IAS 19. Two key challenges were exposed: (1) Identifying the employer's commitments ("obligations" in IAS) in defined benefit plans: note was made that business accounting (such as IAS 19) recognize as liabilities legal but also constructive obligations; also employers can recognize an asset resulting from overfunded positions of pension plans when certain conditions are met; overall, unfunded pension benefits (defined-benefit plan) should be, under IAS 19, recorded as pension liability in the employer's balance sheet; (2) Valuation: IAS 19 (IASB) proposes a common framework, in which the projected unit credit method should be used for valuing pension liabilities (projection of salaries to the estimated time of departure) and discount rate to value liabilities should be based on high quality corporate bond yields at the balance sheet date.

Regarding implementation of IAS 19, EU member States are expected to adopt IAS19 recommendations on or after January 2005. Some European countries have already begun (UK). US standards are largely consistent with IAS19. The German accounting standards board is currently discussing a new standard following similar principles.

Item 3: Eurostat task forces on pension schemes (D. Besnard, Eurostat)

Presentation

Eurostat recalled its legal constraints, the February 2003 Code of Best Practice (for solving statistical cases), the strict respect of ESA95 and its work procedure. There are two main differences with the EDG: (1) decisions are made uniquely in the context of the present ESA, (2), decisions have to be taken very quickly, because of the EDP context. Among six task forces having worked in 2003, two were dedicated to pensions: (1) treatment of lump sum payments in France telecom type-cases (work finished, Eurostat's decision was taken at end of October[4]), (2) classification of non employer pension schemes under social security (work not finished), in particular in cases such as the Polish case (see below). The ESA criteria for classification of a pension scheme as Social Security (SS) are discussed, in particular the terms "imposed, controlled and financed by the general government". The following issues will be discussed in the next task force meeting (before requiring the opinion of the CMFB):

- Defined benefits funded schemes: what conditions for being classified in SS funds?
- Defined contributions funded schemes: should they not be classified in SS (in relation with the market performance on investment/asset)
- Guarantee provided by the general government: to what extent is it a criterion for classification in SS?

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4 In favour of a treatment as non financial transactions.

- Cases of combination of funded and unfunded legs: should the funded leg be separated? What are the conditions to keep one single arrangement?

Discussion:

Poland: Poland undertook a reform of its social security pension schemes in the end of the 1990s, following World Bank recommendations ("three pillars" model). Two objectives were underlined: 1/ obtaining fiscal sustainability (including incentives to pay contributions) and 2/ creating economic externalities. Therefore the compulsory basic pension system (OFE) became a two-leg system:

- A pay-as-you-go part (12,2% of wages), said to be typical pay-as-you-go social insurance: there are no accumulation of assets, but contributors accumulate rights corresponding to their actual contributions plus a return indexed on GDP growth.
- A funded part (7,3% of wages), accumulating assets, managed by private institutions: contributors select the private managers, may change them, and will receive at retirement an annuity based on accumulated rights.

In addition, government provides an overall guarantee of a minimum pension. According to the Polish representative, the two-leg system is one unique scheme, meeting the usual criteria for classification in SS funds (obligation by law to participate, GG responsible for settlement of contributions). His conclusion was that the market performance of assets should not influence the classification of the pension scheme. A Eurostat adverse decision (to not classify the entire scheme as SS) would penalise countries undertaking deep social security reform.

Australia: intervened on the case of lump sum payments and mentioned that they have now a consistent treatment as unfunded schemes are treated as if funded in their accounts. In this context, a reverse case than the France Telecom type case of a large payment by the GG to a public corporation was recorded as financial transaction, in consistency with these principles.

IMF: The IMF moderator indicated that a few Latin American countries have done social security reforms but were not represented so far in the IMF EDG discussion. More generally, the classification of schemes and the social insurance boundary is a difficult area which would be the focus of the EDG in 2004. The GFS sticks to the Impose and Control criteria (not finance). He expressed some support to the idea that classification should not discourage pension reforms.

ECB: expressed that the criterion of control of contributions was the most important (sufficient condition)

Germany: insisted that the issue is not the classification of schemes but of institutional units. He mentioned the case of a German pension scheme ran by both a private enterprise and the government.

Conclusions:

The chairman concluded that the issues of the treatment of social security "obligations" and of the classification of social security schemes are unfortunately not sufficiently advanced in the context of the IMF EDG and of the revision of the SNA. Discussions on these issues should converge only during 2004.

Item 5: Non performing loans: Report from the moderator of the IMF EDG (Russel Freeman, IMF)

Presentation

The EDG started in July 2002 at the request of ISWGNA. The moderator summarized, based on a 2001 IMF paper (Bloem and Gorter), the different definitions and approaches, and in particular the opposition between SNA (and other economic manuals) and banking and accounting institutions regarding the treatment of non-performing loans. The SNA only records write-offs of loans and not impairement. For the international accounting standard (IAS) a financial asset is impaired if its carrying amount is greater than its recoverable amount, and a corresponding record is made. The moderator underlined that, differently from SNA, the Manual on Monetary and Financial Statistics (MFMS) records provisions for loan losses under Other accounts payable. The IMF background paper recommends that SNA should provide memorandum items on the value of provisions for NPL, suggests a move towards fair value of assets, and the necessity of more criteria on write-offs (presently treated as other volume changes).

Discussion

Several interventions emphasized the importance of reporting the true state of the financial situation (Australia, USA, Canada, IMF…) by recording impairment of loans in the accounts. This will be recognised more and more in government accounts (IFAC-PSC recommendations), and should therefore be treated in the national accounts. Others insisted on the difficulty to implement this as, under the principle of consistency and symmetry of records in national accounts, this could appear to send the wrong message in lowering bad debtor liabilities. The UK proposed that both fair value basis and nominal basis should be referred to. The IMF (L. La Liberté) rejected the criterion of "tradability". Korea insisted that the accounts should reflect the economic reality, in particular when supervisory authorities themselves account for non performing loans.

Conclusions:

The chairman insisted that the proposal to limit the recommendation to the introduction of memorandum items was made when there was not yet a plan to a full SNA review. He recommended the moderator to extend his proposals, as a window is now open to an extensive SNA review. In particular, the OECD would welcome that a questionnaire, such as the questionnaire developed by the moderator on pension schemes, be disseminated by the moderator of the EDG, in which more extensive changes would be submitted to experts.

Items 6: External Debt of developing countries (D. Guz, OECD). Only for information

An oral presentation is given by Deborah Guz (OECD) in order to inform Delegates on the current work, dealing with external debt, carried out by the Secretariat (STD). The OECD is mainly involved in the definition of concepts, the development of a common methodology, and the collection of data from bilateral and multilateral creditors and from international compilers. The creditor based approach allows to get a comprehensive and comparable set of data across countries and over time from existing sources of multi-purpose international collection systems. External debt statistics are used by a number of private offices as well as various official agencies to provide financial stability indicators, to monitor debt finance for development, to assess countries debt sustainability and to provide indicators of vulnerability to crisis.

Items 7-8: Work Program for Updating the SNA. (B. Newson, chairman of the ISWGNA)

Information note on updating the fifth edition of the IMF's Balance of Payment Manual. (L. La Liberté, IMF). Session for information.

ISWGNA: presents a document on the work program for updating the SNA in the next few years. A list of topics to be treated in the framework of this revision is given as well as the calendar and organisation for the future work. The SNA93 edition was built more than 10 years ago. Since then, new phenomena occurred which made necessary the revision of the System as a whole, to maintain its relevance. In March 2003, the Statistical Commission accepted the principle of revision of the System and endorsed a list of issues to be updated under certain conditions. Among the issues to be updated, a number of financial issues have been listed: non-performing loans, repurchase agreements, BOOT schemes …. As an additional objective, any change should remain consistent with other international manuals, including the Balance of Payments Manual (BoP) and the Government Finance Statistics Manual (GFS).

Various experts groups (the Canberra II Group, Electronic Discussion Groups, City Groups, Regional Working Groups…) will deliberate on issues and forward their recommendations to the Advisory Expert Group (AEG) for discussions and decisions on the scope of the updating and on technical and conceptual issues. The AEG, in conjunction with the ISWGNA, responsible for managing and coordinating the updating process, will strive for consensus to the highest extent possible.

Deliberations and recommendations will take place between 2003 and 2006, in an iterative way between experts groups, AEG and countries. Last comments from countries will be received in 2006 and submitted to the ISWGNA in tandem with the AEG for approval by March 2007. The final draft of the 1993 SNA Rev. 1 should be ready in 2008. Two positions have been publicized to conduct this review (1) an editor, (2) a project manager. The terms of reference can be found in the latest version of the work program.

Discussions:

All Delegates encourage this ambitious and useful work on SNA and show readiness to participate, in particular, the United States, Australia and the Netherlands. The Netherlands stresses the importance of the consistency with other manuals, including the revision of the Balance of Payments (BoP).

Some countries express concerns about the list of items:

- Denmark does not see the need for having R&D expenditures in the list of issues under review;
- Korea which in course of implementing the SNA 93 fears that there will be some radical changes;
- Italy worries about the consistency of the list with other works carried out elsewhere.

IMF: Lucie Laliberté presents a document prepared by John Joisce, Senior Economist in the IMF Balance of Payments and External Debt Division. The document describes the preparation and gives the timetable for the sixth edition of the Balance of Payments Manual which is to be finalised in 2008. It focuses on the main factors underlying the updating of BPM5, including the major economic developments that have occurred on the past ten years and the revision of the SNA 1993. It also highlights the importance to conduct the updating of the BMP5 manual at the same time as the update of the SNA 1993 to ensure consistency at the maximum extent possible.

A Compendium of issues for consideration for updating BPM5 has been agreed by the IMF Committee on Balance of Payments. The issues to be considered to modify and extend the BPM5 refer to a number of areas including changes to existing recommendations, new and emerging issues and clarifications of BMP5. Some of them appear to have strong SNA relevance such as the clarification of some direct investment transactions or the treatment of FISIM (of which financial derivatives). An annotated outline of the new manual, which provides the structure of the new manual, is circulating and will be finalised early in 2004. Each chapter contains issues to be addressed and various options for discussions, thus providing guidance in the revision of BPM5. The final manual will be completed by the end of 2008, as will be the revised SNA 1993.

Item 10: Task Force on Harmonization of Public Accounts (Lucie La Liberté, IMF). Session for information

L. La Liberté presents this recently created task force, which is chaired by the IMF and includes two working parties. The first discusses on convergence between GFS and IFAC-PSC (International Federation of Accountants-Public Sector Committee), and is chaired by IFAC. The second discusses of convergence between GFS and SNA. The second is particularly relevant to the SNA review process. It has been recognised by the ISWGNA as one of the task forces which will input for changes in the new SNA. Proposed changes will take the form of a special chapter or annex of the new SNA on general government and public sector issues. The recommendations of the European Manual on Deficit and Debt will be a starting point for many issues.

Discussion

Australia: welcomed the initiative. He said that in Australia harmonisation had been an important issue for the last few years, and good progress had been made in harmonising the public sector accounts standards (which are similar to IPSAS) with the GFS. He expressed Australia's desire to participate in the Taskforce on International Public Sector Accounting. In Australia's harmonisation of the public sector accounts (PSA) and the GFS three different categories had been identified: 1. Issues on which the PSA should change (e.g. performance indicators), 2. Issues on which the GFS/SNA should change (e.g. military assets and non-performing loans),3. Issues on which there was no possibility of harmonisation.

UK: also welcomed the initiative. He reported that the UK had developed a Resource Accounting Manual, which harmonises public sector accounting standards with the GFS. He said the UK was happy to contribute to the work of the Taskforce.

Netherlands: also welcomed the initiative. He argued that national accountants should be the standard setters. For example, the CBS decides which sector an institutional unit belongs to. He said that we should try to align the public sector accounting standards with the GFS, and that in the Netherlands a discussion was taking place as to whether to use the GFS or IPSAS as a standard for public sector accounts. He went on to express surprise that military assets were not on the Taskforce's list of issues for review.

UK: asked what are the formal processes for dealing with the differences between the IPSAS and GFS/SNA in the GFS/SNA updating process.

Lucie Laliberté (IMF): responded by saying that an attempt was being made in the SNA/GFS updating process to bring them closer to private and public accounting standards. Even so differences would remain. She agreed that national accountants should take the leading role. The Taskforce will produce matrices identifying where convergence has been achieved and where differences remain. She gave examples of things that were not issues for public sector accountants but were for statisticians. In such cases, it was simply a matter of making sure that the public sector accountants made the data available. Jean-Pierre Dupuis (OECD) added that in respect to military assets, this issue is in fact high on the priority list of the task force. The list of issues presented in the paper was not exhaustive: only issues not included in the lists of other work groups and EDGs had been listed.

Item 11: General government data in OECD databases- Jean-Pierre Depuis (OECD). Session for information

The report from the OECD stresses the importance for users of national accounts general government data. Some tables are well transmitted (Table 2) but other (Table 9, 11) are not well transmitted, especially for data by sub-sector of government. OECD indicated that, in conjunction with Eurostat, new tables will be requested, in which the amount of data by sub-sector has been augmented. The objective of the OECD is to publish during 2004 a special volume on general government data.

Discussion

Italy: had experienced difficulty in providing data for sub sectors arising from problems with consolidation and splitting expenditures between sub sectors.

Germany: is unable to supply taxes on holding gains separately, and would like this item to be voluntary.

Jean-Pierre Dupuis responded that taxes on holding gains were already voluntary, and would consult with Eurostat in respect of the issues raised by Italy.

Item 12: Comparison of data from the OECD Revenue Statistics and National Accounts - Chris Heady, OECD. Session for information

Chris Heady, who monitors for the OECD the Revenue Statistics, indicates that he will now on include a table in his publication comparing the revenues extracted from his database and the data obtained through national accounts. Differences should tend to be reduced as both sets move to accrual accounting principles. However, some differences remain, in particular for tax credits. He described the principle governing tax credits in Revenue Statistics and would welcome that the SNA converges on these conventions.

Australia: disputed the use of "simplistic" rules such as that described by Chris Heady in respect of tax credits (i.e. tax deductions that did not involve an actual refund are treated as negative taxes, while those that did are treated as government expenditure). In his view some tax credits were clearly government expenditures and should be treated as such. Tax credits should be looked at on a case by case basis to determine the appropriate treatment. Australia has developed a framework for deciding how tax credits should be classified based on the work of the UK.

UK: thought that the definitions of tax credits needed greater clarity. He gave the example of some social assistance benefits and even old age pensions that could conceivably be classed as tax credits. More work needs to be done on delineation. Because of the lack of clarity, statisticians can be subject to pressure from governments to wrongly classify transactions. Clearer definitions would give statisticians some protection from such pressures.

Canada: would also welcome clearer definitions in the SNA to support international comparability.

Chris Heady (OECD) responded by saying that tax credits had been looked at closely in the past by the Working Party on Tax Policy Analysis and Tax Statistics. It had been difficult to gain agreement on the line between what is a tax deduction and what is a social benefit. If we could define what is a social purpose then delineation would be easier. He went on to say that the Revenue Statistics was now asking countries to report all non-wastable tax credits as expenditures and all non-wastable tax credits as negative tax in addition to reporting on the basis outlined in his presentation. This will be helpful in providing a fuller picture of non-wastable tax credits.

The chair noted that the issue of tax credits was on the agenda of the Task Force on Harmonisation of Public Accounts.

Item 13: Classification of universities- Jean-Pierre Dupuis, OECD. Session for information

The paper discusses the classification of universities as general government, NPISH or non financial corporations. The paper illustrates that there are three groups of countries: the most numerous which classify universities as general government, the second, a few countries, which classify universities as NPISH, and, the third, also a few which classify as corporations. He posed seven questions and invited countries to respond.

Canada: outlined what had happened in respect of the classification of universities in Canada. Until 1997 they had all been classified to the NPISH sector. Following a review, it was decided to re-classify most of them to the general government sector based on the single criterion of financing. At that time over 50% of university funds were sourced from government. Shortly afterwards, a change in government funding policy led to a large reduction in the direct grants received from a government, a big increase in tuition fees and a big increase in government grants to students. Consideration is now being given to extending the criteria to include control, in which control is defined to be the right to appoint managers at universities. The Canadian delegates asked what other country practices were.

UK: Graham Jenkinson reported that the UK looked at several aspects of control, such as the appointment of managers, independence of policy on giving degrees, independence of pay setting. The UK found that there was no significant government control in respect of any of these. They then looked at financing to determine whether they were market or non-market and found that on average most funding came from government. Although there were some universities where this was not the case, it was decided to treat the classification of all universities the same way and classify them all to the NPISH sector. The UK delegates stressed the fact that in making the decision all of the relevant factors had been taken into account.

Ireland: reported that the “Eurostat decision tree” was adopted in Ireland, but only one criterion for control had been considered – the right to appoint managers. Like the UK, all universities were classified to the NPISH sector.

Poland: reported that most universities were classified to the general government sector. However, some private sector institutions were classified to the non-financial corporations sector. They were judged not to be NPISHs because they distributed “profits” in the form of high salaries.

USA: said that a broad range of control and financing criteria needed to be considered. He pointed out that the application of too narrow criteria could lead to unsatisfactory outcomes and gave the example Stanford University and the University of California, Berkeley, which are very similar institutions but have a different degree of funding from government.

Australia: expressed the view that the section of the SNA concerning the classification of institutional sectors needs re-writing to achieve greater clarity. He went on to affirm that both control and financing needed to be considered in the classification of universities. He drew a small table in which one axis was control and the other financing, each subdivided into government and other. Government control and government financing implies the institution should be classified to the general government sector. Control by non-government but funding by government implies NPISH. Government control and financing by non-government implies the public non-financial corporation sector. Control and financing by non-government implies the private non-financial corporation sector.

More comments followed, but the general view was that a range of criteria, encompassing control and financing, needed to be considered in classifying universities. Also, it was unsatisfactory to have universities switching back and forth from one sector to another. This suggested that looking at similar types of university en masse was appropriate. It was also agreed that the 50% rule was useful. Jean-Pierre

Dupuis expressed the view that for a university to be classified to the NPISH sector it needed to satisfy the rule that funding from government was less than 50% and that it did not distribute profits.

Conclusion:

The general view was that, in the case of universities, the criteria of control and financing cannot be separated. However, no further decision was made. The issue of delineation public/private and general government/outside general government is on the agenda of the Task Force on Harmonisation of Public Sector Accounts. SNA conventions should be clarified, using in particular the experience of the European Manual on deficit and Debt (rule of 50%, in particular). Universities could be one of the test examples for the new rules.

Items 13-continued: The size and perimeter of the general government sector. Information Papers on the UK (Graham Jenkinson, ONS) and Italy (Daniella Collesi, ISTAT)

Both papers describe the size, the perimeter and the procedures in place to treat borderline units in each countries. The papers were not discussed.

Item 14: Accrual accounting in Canada (T. Moore, Stat Can). Oral presentation. Session for information

Presentation was made of the differences in accrual accounting between the Canadian National Accounts and the Canadian Government Accounts. The discussion focused on the accrual treatment of the income tax. France (which does not yet have a "pay as you earn" income tax) is in favour of retaining the date of the assessment of the tax as the period in which to report the income tax rather than the period when the revenue was generated. It appeared that several countries (USA, Denmark, Netherlands) used a cash basis to report corporate income tax, due to the difficulty of attaching the tax to a given period. In particular, the USA stated that they would not record a negative income tax for corporations when a loss occurs.

Item 15: Report of the moderators of the task force on financial services (P. Stauffer, OFS, Switzerland; P. Schreyer, OECD). The session was for decision

The report of the task force on the measurement of financial services was presented by Philippe Stauffer (OFS, Switzerland) and Paul Schreyer (OECD). The session was chaired by Ruth Meier (OFS, Switzerland, this country was the country leader in this task force). The chair noted that the task force had been an opportunity of discussions not only between national accountants, but between national accountants and bankers (central and private). In addition to the report which was presented, there are two papers available: a background document, and a report from the workshop in Zurich. The background document does not necessarily reflect the majority view of the task force. Only the final report does.

Presentation:

The report proposes two sets of recommendations: one on the definition of financial corporations, one on the measurement of financial services.

New definition of financial corporations: Financial corporations are all resident corporations or quasi-corporations principally engaged in providing financial services to other institutional units. The production of non-insurance financial services is the result of risk management, liquidity transformation and/or auxiliary financial activities.

Risk management and liquidity transformation are productive activities in which an institutional unit incurs financial liabilities for the purpose of acquiring mainly financial assets. Corporations engaged in these activities obtain funds, not only by taking deposits but also by issuing bills, bonds or other securities. They use these as well as own funds to acquire mainly financial assets by making advances or loans to others but also by purchasing bills, bonds, or other securities.

Auxiliary financial activities facilitate risk management and liquidity transformation activities. Financial auxiliaries – the units that are primarily engaged in auxiliary financial activities – typically act on behalf of other units and do not put themselves at risk by incurring financial liabilities or by acquiring financial assets.

This new definition is broader than the current SNA definition: the activity is broadly defined as "risk management and liquidity transformation"; all sources of funding are treated symmetrically; the source of funding is extended to non financial assets, and includes own-funds. However, some caveats must be made. A unit is a financial corporation only if it provides financial services to another unit. A unit that provides services to itself (own-account) is not a financial corporation. Also, for the moment the definition excludes insurance, but the task force recommends that the definition of insurance also be reviewed in the new SNA.

Measurement of financial services: The task force agreed that all balance sheets items, and not only deposits and loans, are potentially involved in jointly producing services. Own funds are not to be excluded from this scope. However, there was no agreement whether shares should also be considered carriers of financial services. Also, financial derivatives were excluded, mainly for practical reasons, and also because they are largely instruments used within the financial sector. Regarding holding gains (and losses), the task force agreed that they should not as such and in their entirety enter in the calculation of FISIM. If holding gains were at all considered, expected holding gains and not ex-post holding gains or losses would be the appropriate variable. The task force supported the reference rate approach as a working tool for measuring production. A clear majority of Task force members favoured the use of a single reference rate.

Discussion:

UK: expressed strong support to the conclusions of the task force. Discussion with banking trade associations show that the current SNA is not adapted to represent the contribution of banks to the economy. He fully endorses the extension to own-funds, would like to extend the scope to equity but is conscious that this may lead to concern viz the inclusion of holding gains. He suggests more work on the issue of expected holding gains.

USA: compliments the task force and supports the recommendation. He also thinks that more work is needed, in particular on expected holding gains. The new definition is useful but does not fully answer to the question raised on the measurement of the production of specific financial institutions such as mutual funds, investment banks, and mortgage banks. We do not want to have negative value added for these institutions.

Germany: insists that holding gains is not in general the result of a productive activity. Holding gains could be introduced in the SNA at the level of income, but not production. If holding gain was introduced in production, the link between labour, capital and output (the neo-classical production function) would be destroyed.

Australia: supports the new definition, but is concerned that it does not give guidance on how the production of units that work for a single client (financial unit of a group) is measured, or whether the instruments (bonds, for example) can be the carrier of financial services even for non financial corporations. He also supports the prudence regarding holding gains. He does not see how expected holding gains could be estimated (and by who?) other than being set to zero. He does not support the single reference rate approach, and would have preferred an approach based on the neutral cost of funds. More work is needed on the allocation to consumers.

Japan: supports the extension of the scope of instruments. He also think further work should be done.

France: supports the recommendation of the task force. The issue of holding gains, quite disturbing for the framework of the national accounts, should be considered further and in a global manner (financial services, pension funds, non-performing loans).

Eurostat: is not convinced by the recommendations. Banks fix interest rates of deposits and loans: they decide of their prices. Prices of securities are not fixed by the banks. It is also wrong to assume that the extension of the scope of instruments will increase the contribution of banks to GDP. Calculations made by Eurostat showed the exact contrary. Also the extension of FISIM will render its allocation more difficult. Finally, nothing has been said by the task force on volume measures, further precision is necessary.

Anne Harrison (expert): notes that a relation should be made with the treatment of non performing loans. She supports considering the issue of holding gains globally, as does J. Bournay (France).

USA: does not support this idea but would like to limit the scope of research on expected holding gains to the specific industries for which there is no direct measure of production.

Canada: would appreciate more work on volume measures.

Ireland: would like precisions on the treatment of corporate treasury companies which are affiliates of non resident groups.

P. Schreyer and P. Stauffer respond to comments: they agree that no clear recommendation is given for units with one single client. More work is needed. They are not surprised by the fact that the extension of financial instruments does not necessarily increase the value of FISIM. In their view, the fact that the bank does not fix the price of securities is not a good argument to dismiss securities as carriers of financial services: price-taking is a common assumption in economic theory.

Conclusions:

R. Meier concludes that no objection was raised to the extension of own-funds and that it seems that here is also support for the extension to bonds. More work is needed on expected holding gains and on the implication of the new definition to specific units, in particular mutual funds. F. Lequiller (OECD) is not opposed to a continuation of the task force on volume and price measures, and on the issue of specific units. He is first very reluctant to the continuation of the debate on holding gains. In the event, the following conclusions were proposed and supported by delegates.

The OECD NAEM commends the work made by the task force on the measurement of financial services. A majority of experts supported the new definition of financial corporations proposed by the task force. A majority of experts supported the extension of the range of instruments to be included in the calculation of FISIM in the new SNA to own funds and securities other than shares. However, precisions should be given on the measurement of specific institutions such as companies working for one client and mutual funds. The meeting therefore recommends this first set of recommendations be forwarded to the ISWGNA for discussion during the February 2004 meeting of the Advisory Expert Group.

The meeting recognised that more work is needed to clarify the possible use of “expected holding gains” in the measurement of production of financial services. Also, the issue of volume and price measurement should be discussed. The OECD confirmed that it would therefore reconvene the task force during 2004 to cover these two issues.

Item 16: Allocation of FISIM. The recent change in the US accounts (D. Fixler, BEA, USA)

The US representative explained the change recently implemented in the US national accounts, which corresponds to greater convergence with the recommendations of the SNA. First, contrary to the present situation where FISIM is simply imputed as net interest, FISIM is now obtained using a reference rate (equal to US treasury bonds) and differences between asset rates (rates on loans, for example) and liabilities rates with the reference rate. This decreases the output compared to the present situation by the amount of the user cost of own funds used to acquire assets. Second, contrary to the present situation where FISIM was only allocated to depositors, it is now allocated both to depositors and borrowers. The reform results in a significant smaller contribution of banking services to GDP.

Item 17: Trial Estimation of Financial Intermediation Services Indirectly Measured (FISIM) in Japan (Yuji Onuki, ESRI, Japan)

The Japanese representative confirmed that Japan is planning to allocate FISIM during 2005. But he suggested that if some problem would remain, the figures could be published as reference values. He presented the trial allocation of FISIM in Japan, following the European Union’s methodology, but with some adaptations. The impact on GDP was around 2.7%. The results pose some problems, such as the volatility of GDP, the difficulty in allocating FISIM by industry, and the calculation of long time series, as well as quarterly series.

Discussion

Netherlands: questioned why the impact of allocating FISIM to users had such a big impact on the Japanese GDP relative to the impact recorded in the EU and USA. In particular, why has such a large part of FISIM been allocated to the household sector.

Korea: reported that they are the process of rebasing its volume estimates from a 1995 base year to a 2000 base year as well as implementing SNA93 recommendations. He was concerned what the impact this might have on GDP growth rates, and asked what the Japanese experience had been. He also asked how the interest from the Bank of Japan's foreign exchange reserve is dealt in this estimation.

Eurostat: noted the importance of testing when implementing different methods and concepts. It was particularly important to compile a time series of new estimates because there can be unexpected outcomes. The volatility in the Japanese volume estimates of FISIM was also recognised in Europe. He also raised the issue of long time series.

Germany: queried the method used to derive volume estimates of FISIM (i.e. deflating the current price estimates with the GDP IPD). Why had the Japanese not used volume indicators, like EU countries?

Japanese response: A lot of FISIM was allocated to the household sector because households are major depositors in Japan. In Japan, FISIM is four times as big as the explicit charges made by banks. The use of the GDP IPD to derive volume estimates of FISIM is only temporary, and more study would be done for the method to derive estimates for publication. The estimates of FISIM presented in the paper doesn't include the output of the central bank. So the interest earned by operating the foreign exchange reserve is not included.

Item 18: Allocation of Financial Intermediation Services Indirectly Measured (FISIM) in the European Union Countries. (Brian Newson, Eurostat)

The presentation described the method that will be implemented by EU countries to allocate FISIM, in 2005. Tests were conducted on the most adapted reference rate, and the choice was made to use a reference rate defined as "interest receivable on loans between S122 and S123/stock of loans between S122 and S123". The allocation is conducted only on loans and deposits. The central bank output is measured using costs. Industry breakdown is based mainly on output, by lack of information on stocks of loans by industry. Constant price data is compiled using base year margin, multiplied by (stock of loans + deposits) deflated by a general index of inflation. The impact on GDP level is an increase of an average of 1.3% for EU countries, with some variations between countries. Back data is only requested up to 1995.

Discussion:

USA: questioned whether there was volatility in the reference rate, which was derived using short-term interest rates.

Australia: noted that the ABS uses an approach similar to that described by Eurostat, with the major difference being that the Australian reference rate is taken as an average of the loans and deposit rates. This avoids negative estimates of FISIM. The ABS derives volume estimates in the same way as that described by Eurostat. He went on to inform the meeting that the ABS intends to include a price measure of FISIM in the Australian CPI, and experimental results will be released soon. The price index for FISIM is volatile, but this is not surprising given that small changes in interest rates, largely due to the competitive behaviour of banks, can have a relatively large impact on bank margins and hence the price of FISIM.

Germany: noted that there were now new figures for the EU, which superseded those appearing in Eurostat's paper. He said that a number of problems had been encountered in deriving estimates of FISIM, including: (a) accurately measuring cross border interest flows; (b) obtaining negative estimates of FISIM in some instances; and (c) difficulty of separating loans to households for consumption purposes from those for capital formation. He asked how the US distinguishes between mortgages used to fund consumption and those used for capital formation of dwellings.

Ireland: said that the cross border issue was a problem for Ireland, and that exports as well as imports were a problem. He also questioned the scope of the instruments identified as FISIM generators.

Denmark: questioned the EU method of volume estimation for financial services. He argued that if there were a switch from FISIM to explicit charges then odd movements in the implicit price deflator would result.

UNECE: asked how the backward calculation of FISIM was to be done. Does Eurostat have any recommendations? OECD noted the importance of having a long time series of FISIM for users.

Brian Newson then responded to the questions. The EU reference rate was less volatile than the published interest rate. The EU taskforce felt that it was logical to use the inter-bank interest, rather than any other rate, because it was risk free. He acknowledged that cross border flows were difficult to deal with.

Annual chain linking should handle the situation of falling FISIM prices and rising explicit charges satisfactorily. He is aware of the importance of long time series, and will discuss it with European countries.

Brent Moulton (USA) responded to the earlier question from Germany by saying that the BEA had no data on the share of mortgage loans used for consumption, but noted that it was not very important because in the USA mortgages only account for about 10% of FISIM. The BEA did not allocate imports of FISIM. This was an issue still to be addressed.

Item 19: Report of the Task Force on Insurance and Catastrophe: Final Recommendations. François Lequiller, OECD. This session is for decision

The discussion was organised on three levels: (1) Matters of principle (Recommendations 1 and 2); Holding gains (Recommendation 8), Integration into the accounting framework (Recommendation 9).

Discussion:

Many delegates spoke and prefaced their comments by congratulating the moderator on presenting an excellent paper. There was wide agreement with Recommendation 1, but there was disagreement with regard to Recommendation 2. The disagreement focussed on whether expected claims and expected premium supplements should replace actual claims and actual premium supplements in the calculation of the output and consumption of non-life insurance services. Delegates fell into two camps: those in favour of this proposition and those who argued that the accounting approach (using equalisation provisions and described in the paper) provides an alternative means of producing smooth estimates of non-life insurance output. Delegates from France, USA and Australia were in the first camp, while delegates from Germany, the Netherlands, Switzerland, Canada and Eurostat were in the second camp.

<u>USA</u>: said that the BEA will introduce estimates derived using the approach recommended in the paper in the forthcoming revision of the US national accounts. He said users would not accept a major revision without a suitable remedy to the strange estimates obtained following the current SNA treatment of the aftermath of September 11 2001.

<u>Australia:</u> argued that the use of expected claims and expected premium supplements in measuring the output of non-life insurance companies reflected reality. By mimicking what the companies do we can get an appropriate estimate of the price of their services. He argued in favour of keeping the principle, but allowing differences in implementation.

<u>Netherlands</u>: argued that GOS would be affected by the use of expected values and, so would differ from the annual reports of insurance companies.

<u>Eurostat:</u> agreed with the previous speaker and noted that Recommendation 2 was for an ex ante measure of insurance rather than the usual ex post measure of output.

<u>France:</u> said that while he supported Recommendation 2 in principle, he could see difficulties in estimating expected premium supplements.

<u>Ann Harrison (expert)</u>: questioned the adoption of expected premium supplements, noting that it would have implications for the measurement of life insurance and pensions.

<u>Belgium</u>: stated that in her country premium prices are more influenced by the government than by expectations.

<u>Moderator's response</u>: the choice of actual approach to obtaining a smooth measure of output and consumption of non-life insurance services (i.e. using a statistical approach to estimating expected claims and expected premium supplements or using an accounting approach in which equalisation provisions are used) is secondary to the choice to reject the mechanical implementation of the current SNA.

The discussion then moved to Recommendation 8.

<u>USA:</u> questioned why Recommendation 8 in the presentation had been changed from that in the paper. In the paper, Recommendation 8 says that 'The issue whether holding gains/losses should be included in premium supplements will be decided upon when the conclusions of the task force on financial services will be known.' In the presentation it was proposed that holding gains/losses be excluded from the estimation of premium supplements. Mr Moulton argued that expectations of holding gains/losses would influence premiums and should therefore be included in the estimation of expected premium supplements. He could not understand why their inclusion was being dismissed at this stage, and thought their inclusion should be considered further.

<u>Australia</u>: expressed support for the USA's position, but noted that actual holding gains/losses should not be confused with expected holding gains/losses. He thought expected holding gains/losses are likely to be zero or close to zero. Therefore, on practical grounds they could be excluded. In any case, he suggested that we should restrict consideration of holding gains/losses to their influence on the price of financial services, and not consider them for inclusion in income.

<u>Switzerland</u>: expressed concern with the new Recommendation 8, and said that the Financial Services Task Force could not accept it.

<u>Netherlands</u>: supported the earlier remarks of Anne Harrison, and went on to state that if we include holding gains/losses in premium supplements then what does it mean for such things as life insurance and pensions. However, he agreed that the issue needed to be looked at further.

The discussion moved to the issue of the integration into the accounting framework (Recommendation 9).

<u>Ntherlands</u>: expressed concern with treating exceptional losses as capital transfers. This only takes the view of the insurance company, not the household. In his view they should all be treated as current transfers.

<u>USA:</u> The US has decided not to treat all claims as current transfers. They are concerned that if all transfers are treated as current then household disposable income rises after a catastrophe – which does not make sense to many users. Brent Moulton (USA) observed that after a catastrophe capital transfers are made by government to help rebuild houses, etc. This justifies treating insurance claims as capital transfers for catastrophes. He added that the US nets D71 and D72, as they have difficulty allocating the two separately at the sector and industry level. Also, the errors in premiums and claims are largely off-setting and so it is better to net.

<u>Australia</u>: also expressed concern about treating catastrophic claims as a capital transfer. Disposable income does rise when there is a catastrophe, and this is the reality. However, there might be some exceptional cases and that is why he supports Recommendation 9.

<u>Denmark</u>: agrees with Australia that after a catastrophe consumption and investment rise – that is the reality.

<u>The moderator's response</u>: reminded the meeting that claims are claims due – not paid. As payment can often take a long time, there is a substantial difference between the two, and so the impact of a catastrophe on spending can be delayed.

Conclusions:

There was clear support for smoothing the output and consumption of non-life insurance, but the revised SNA should not be too prescriptive on the expectation approach. The expectation approach and the accounting approach are to be put on the same level in the text of the SNA. The issue of holding gains should be re-discussed later, and dealing with it should not delay the process of making proposals to the AEG for the agreed changes to the SNA. The report should be modified according to the above remarks and brought forward to the February 2004 AEG.

Item 21: Comparability of saving rates and profit ratios (R. Harvey, Joint ECB-OECD project). Session for information

The paper discusses the comparability of saving rates and profit ratios, and is a follow-up to the discussions of the 2002 NAEM on alternative saving rates. The paper proposes that the OECD publishes the SNA 93 adjusted saving rates (i.e. adjusted for social transfers in kind) in place or in addition to the central definition. Countries are requested to also publish also this adjusted saving rate. The paper discusses alternative saving rates but stops short of proposing to systematically publish them. The paper also proposes a common definition of profit ratio.

Discussion:

<u>Netherlands</u>: recommends not publishing many alternatives aggregates, and would prefer to stick to the central definition, but agrees in adding the adjusted saving rate.

<u>Denmark</u>: does not think that the SNA adjusted saving rate is a better internationally comparable economic indicator.

<u>Australia</u>: has no problem in using, in addition to the central figure, the adjusted saving rate.

<u>UK</u>: recommends limiting the alternatives to the adjusted saving rate.

Conclusion:

The OECD will further discuss with its Economics Department the possible inclusion of adjusted saving rates and an indicator of profit ratios.

Items 22-23-24-25-26:

The situation of annual national accounts in the OECD database and new features of the joint OECD-Eurostat questionnaire (M. Hainaut, OECD); Major changes in the presentation of US national accounts (B. Moulton, BEA); The situation of quarterly national accounts in the OECD database (M. Harary, OECD); The collection of capital stocks data (C. Aspden, OECD); The NAWWE project (R. Penlington, OECD).

Regarding annual national accounts, there is still a significant lack of transmission from countries of tables covering accounts of institutional sectors (0119, 0800). In general, European countries are better at supplying the data quickly to the OECD. The new common OECD/Eurostat questionnaire, which contains simplifications, will enter into service during 2004. Priority should be given in 2004 to the transmission of capital stock data (tables 1400, 2000) and balance sheet data (new table 2600). Data on households' non financial assets are the highest in the priorities. Regarding quarterly accounts, the recommendation is to transmit the data to OECD (and Eurostat for European countries) on the day of the release of the data at national level. Chain linking in quarterly national accounts will have been implemented by most countries at the end of 2004.

Regarding the annual implications of trading day adjustments, there is now a difference between most European countries and Japan (which do not force the annual sum of trading day adjusted quarterly data to be equal to the annual gross sum) and Canada, UK, USA (which force it) and, partly, Australia (which forces it, not for the principle but for technical reasons, and only for constant price data). The reason to force additivity for these countries seems to be less a matter of principle and more a matter of keeping things simple for users, considering that, in these countries, the annual impact of trading day adjustments is limited (on the contrary, in France and Germany, the impact of trading day adjustments for 2004/2003 is expected to range between 0.3% and 0.4%). In countries such as Australia, USA and Canada, trading-day adjustments are part of seasonal adjustment, and not separate from it. It is the seasonally adjusted figures, which include the trading-day adjustment, that are forced to add up to the annual original data.

The NAWWE (national accounts world wide exchange) project is in test in the ABS and in StatCan. A presentation was made of the progress made at the OECD regarding the central consultation software.

Item 28: First report of the Canberra II group on measurement of non-financial assets (C. Aspden, OECD) Session for information

The Canberra II group has a mandate to propose changes or clarifications to the SNA for a long list of issues. It has now two years (February 2004 to November 2005) to present papers to the AEG. Three subgroups were formed concerning 1/conceptual issues, mainly linked to intangibles, 2/ treatment of R&D, 3/other issues, mainly concerned with measurement. The first meeting discussed the definition of assets and intangibles, originals and copies, leases and contracts, ownership transfer costs, military expenditures and research and development. The first recommendations for changes to the SNA, to be forwarded to the AEG in February 2004, are expected to concern military expenditures (capitalize weapons systems) and ownership transfer costs. Recommendations on the many other issues are expected later, for the November 2004 meeting and the November 2005 meeting of the AEG. On R&D: there seems to be wide agreement that at least some R&D is capital formation, but where to draw the borderline? This will be one of the issues to be addressed at the October 2003 meeting.

Item 29: Taxes on holding gains – Final recommendations (F. Lequiller, OECD) Session for decision

Presentation

The background is the contradiction – raised in the previous NAEM meeting – between the recording of taxes on holding gains as a deduction of households' income and the none inclusion of holding gains in income. In periods where holding gains (and thus taxes on holding gains) are considerable, this treatment may be misleading. An OECD questionnaire proposing to classify taxes on holding gains as transfers, sent in March 2003, got 25 replies. Replies showed a split of experts on the principle and a significant majority explaining that it was impossible to put in practice. As a result, the final recommendation is to not change the SNA, but ask only, on a voluntary basis, for a breakdown of D51.

Discussion:

Even though some countries still prefer a recording as capital transfers (Australia, USA), all interventions supported the final recommendation. Denmark noted that, in its view, to classify the tax on holding gains separately from the tax on income in which it is embedded would be against NA principles. OECD will go forward in this direction by submitting this proposal of not changing the SNA to the February 2004 AEG.

Item 30: The estimation of the cash economy in Australia (T. Johnson, ABS, Australia). Open session, for information

The paper discusses the size of the non-observed economy in Australia. It concludes that the results of the "monetary models" that estimate that GDP is understated by 15% are way off the mark. Even when making exaggerated assumptions about the extent of the cash economy, the upper bound of the adjustment needed to normal sources would reach 4.8%. Currently Australia makes an adjustment of 1.3% to the income and production-based estimates of GDP.

Discussion:

Several countries (UK, Denmark, Netherlands, Poland) expressed their interest in this study. A Eurostat task force on the inclusion of illegal activities (drugs, smuggling, prostitution) is currently functioning. The UN-ECE is interested to coordinate these reports as it is preparing a comprehensive survey of adjustments for NOE conducted by the various countries.

Item 31: Measuring the volume of government output. (G. Jenkinson, UK). Open session, for information

This paper presents the results of a survey conducted by the ONS on 20 countries regarding the extent to which the have implemented the recommendations of the SNA to use direct volume indicators for general government output rather than to deflate input. The UK is now estimating approximately 70% of GG output using direct measures. Some countries have implemented these recommendations: Netherlands, Italy, Australia, New Zealand (60%), Canada, but not to the extent of the UK. The main domain of implementation is education and health. Some results can be counterintuitive: thus in the UK and New Zealand, the use of direct volume indicators resulted in lower output growth (and negative growth in productivity), which users queried. The main problems are issues linked to defence, quality change and quarterly data (in particular, expenditures in current price on a quarterly basis do not move in conjunction with direct volume indicators, resulting in wild implicit price indices).

Discussion:

There was a clear split between countries (Australia, Norway) that are promoting direct volume measures and countries (USA, Germany, Denmark) that are opposed to implementing these measures systematically. The USA is reluctant to implement what it regards as simplistic indicators of output which do not take into account quality change satisfactorily. When compiling price indices, much care is taken not to mix different types of products obtaining price quotes and accounting very precisely for quality changes. This is not the case for indicators of direct volume which mix different types of quantities. The result poses problems of interpretation. Australia, on the contrary, supports the move towards direct measures, and is planning to measure as much as 80% (50% currently) of GG output using these indicators. The only difficulty lies in the absence of long enough time series to judge the suitability of the indicator to be used. It believes that the criterion for choosing between output and input indicators should be which gives the best approximation to the ‘true’ measure of output volume growth.

Item 32: Conclusions and agenda of the next meeting. (F. Lequiller, OECD)

After discussion with the delegates the following items were suggested for the 2004 NAEM (scheduled for October 12-15, 2004): (1) issues linked to the Canberra II discussions, (2) issues linked to the Task Force on Harmonization of Public Accounts (in particular pension schemes), (3) follow-up of the financial services task force (holding gains; volume and price measures), (4) measures of general government output, (5) measures of labor input in national accounts, (6) quality frameworks for national accounts (comparable data on revisions would be appreciated).