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National Accounts and Economic Statistics

MINUTES OF THE WORKING PARTY ON NATIONAL ACCOUNTS

Held on 11-14 October 2005

Tour Europe, Paris La Défense

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MINUTES OF THE WORKING PARTY ON NATIONAL ACCOUNTS, OCTOBER 11-14, 2005¹

PARIS, 2 DECEMBER 2005²

The chair (François Lequiller, OECD Secretariat) welcomes delegates. He will chair once more this meeting because the Working Party has not yet been made official by the OECD Council³. As last year's, this year's meeting is dominated by issues linked to the revision of the SNA. Corresponding sessions are "for information" and shared with non OECD member countries of the UN-ECE region. A vice-chair (I. Tvariionaviciute, Lithuania) represents these countries. During the sessions on the revision of SNA, the chair will in no case try to summarize the global opinion of the OECD countries, in order to avoid interfering with the established procedures for decision making in the SNA review process. This is why the present minutes will not contain, for these sessions, any sentence characterizing any "majority opinion" of the Working Party regarding SNA review issues.

Other sessions are pure OECD sessions. Among them some are "for decision" and will be treated as such in the present minutes.

Item 1: Progress report on the review of the SNA (Carol Carson, project manager of the 1993 SNA update)

Ms Carson thanked the OECD for hosting this discussion on the update of the 1993 SNA, she then spoke to her presentation.

Ms Anne Harrison (editor of the 1993 SNA) noted that the deadline for submission of proposals to clarify the 1993 SNA was the end of 2005, and she invited members to write down any proposals they may have and submit them by that date.

Denmark thought that the description given by Ms Carson of the decision reached by the AEG at its meeting in July 2005 on the subject of uncollectible taxes (issue 35) needed further clarification. His recollection was that although the AEG could not agree on how they should be treated, it did agree that they should not affect the government surplus/deficit.

¹ These minutes only refer to interventions of delegates. They do not summarise presentations as all papers and power point presentations are available on the OECD web site:
http://www.oecd.org/document/5/0,2340,en_2649_34245_34870725_1_1_1_1,00.html

Items for which there was no discussion are not included in the present minutes.

² Minutes takers for the Secretariat include Charles Aspden, Jean-Pierre Dupuis, François Lequiller, Michèle Chavoix Mannato, Micheline Harary, Catherine La Rosa-Elkaim.

³ In fact, it was made official a few days after the meeting. Thus this is the last time the meeting will be entirely chaired by the Secretariat.

Ms Carson responded by saying that her presentation was only a summary of what had been agreed. She said that the AEG had agreed on the general principle that taxes that had no chance of being collected should not be included in government revenue.

Item 2: Pension schemes

J. Ruser (BEA, USA) presents a power point summarizing the conclusions of the recent task force meeting. R. Mink (ECB) presents his joint paper with the Bank of England (called here ECB/BE position), reflecting the position of two European Union committees (FAWP and CMFB), which contradicts the conclusions of the task force.

Germany reiterates its opposition to record unfunded pension obligations as liabilities in the core accounts and therefore supports the proposals of the ECB/BE. In particular, he does not understand why one should record, for PAYG schemes, pension liabilities but not future contributions. A recent judgment of the high-court relating to pension of civil servants ruled that, while civil servants have an institutional guarantee of pension, they have no right to a specific amount (or formula) of pension.

Canada supports in general the task force recommendations, and welcomes the clarification on unfunded *versus* underfunded pension schemes. He proposed to qualify unfunded schemes not only at those having no invested assets but also those for which no liability is recorded. Canada already applies the recommendations in its core account which leads to a better measure of households' savings. In Canada, there is a funded social security scheme. Regarding the measure of output, it cautions against the use of holding gains. Canada is prepared to support the compromise proposed by the OECD, to record unfunded schemes in the core accounts but as a separate item.

Denmark's observations are directed to the ECB/BE position. It is not sound to make the recording in the SNA depend on business accounting principles which can differ between countries. Also, the argument that one should limit the amount of imputation in the core account is not convincing. The new SNA should be able to deal correctly in the core accounts with France Télécom like transactions, and this is not made possible by the ECB/BE position. Finally, Denmark could support the compromise proposed by OECD.

Spain is satisfied with the ECB/BE position which gives to users the information they need, while allowing adapting to the different institutional organisations of pension schemes between countries. Nothing is lost in having this information outside the core accounts, and comparability is improved.

Australia supports strongly the position of the task force, which improves the analytical use of the accounts, especially when there is a move from unfunded to funded schemes, or when there are transactions between systems. The main criterion to be used is whether there is indeed a liability, not the funding or unfunding. The experience in Australia has not been that there was a large volatility in the numbers, contrary to what is implied in the ECB/BE paper.

France (Banque de France) considers very important to record the liabilities of social security systems, because of their importance and because of the existence of transactions between systems. She finds dangerous to record these actuarially estimated liabilities in the core accounts, because it is difficult to describe a PAYG system only in terms of financial assets and liabilities. The question immediately arises whether there is not also a contribution asset. It is better therefore to keep this type of accounting to supplementary accounts, which should be very complete. The solution used for FISIM in the first years of SNA 93 (supplementary accounts in Europe) should inspire us for this item, in a pragmatic way.

The Netherlands is torn apart between the majority of the European position and the personal position of the delegate. Finally, personally he would support the conclusions of the recent task force meeting in Washington. He thinks the argument of volatility is not a good one because it applies also for funded

schemes. Also where is the borderline between unfunded schemes and largely under funded schemes? Thus it is very difficult to use the criterion of funding to justify the liability. He would agree on a criterion of quality of entitlement. In particular he accepts the argument of Germany that the ruling by the high court may be evidence that the quality of the entitlement for civil servants is not sufficient to meet the characteristics of a liability.

The OECD Secretariat states that there is no ideal criterion on which to base the existence of a pension liability: funded/unfunded is to be abandoned; direct employer contract/social security is not a clear cut criterion, in particular for multi employer scheme; legal entitlement/not legal has the shortcoming that it is not an economical criterion. This is why one has to show some pragmatism and accept a compromise that will ensure international comparability. The task force should also (1) accept the proposal to have similar accounts for social security in supplementary set of accounts, (2) address the issue of exchange of implicit pension liabilities (France Télécom case), (3) establish that government schemes for its own employees are always to be treated as employer schemes even if they are labelled as social security.

A. Harrison (editor of SNA) states that the correct approach is to focus on liabilities rather than to assets. The value of the property income should not be affected by the source of funding. It may be that holding gains are the source of property income, but this does not mean that we introduce holding gains in production. Turning to the German civil servant scheme, she is not far from agreeing that there is no liability there. However, it is important to ensure consistency between countries, but also within countries.

Portugal sees an advantage in the ECB/BE position to record these flows in a supplementary set of accounts, but insists it should be a compulsory account. It will allow undertaking sensitivity analysis without affecting the core accounts. However, Portugal can support the OECD compromise.

Belgium cautions against treating PAYG schemes as if they were individual saving scheme. This completely changes the reference of users of national accounts. Also, GG accounts are essential for the Excessive Deficit Procedure in Europe, and this procedure does not go with too much imputations and change of concept which will lead to confusion to users. It is better to limit this treatment to supplementary tables to acquire experience.

IMF supports the idea that there should be a compromise, which should be discussed by the European countries. The task force should explore better the delineation between social security and employer schemes. There is an anomaly in the present SNA: the only situation where a liability is recognised or not depending on the existence of an asset is in the case of pension schemes. The classification of financial assets could distinguish between different types of liabilities.

The United Kingdom sees liabilities of unfunded schemes as provisions (uncertain in value and timing) and not liabilities as defined by the SNA. The status of provisions should be clarified in the SNA. We should inspire ourselves from business accounting standards. However, we should not promote accounts that allow alternative balancing items (including household saving), which could undermine the status of national accounts.

After this first round of discussions, the two presentators have the floor.

R. Mink (ECB) states that exchanges of implicit liabilities can be reflected in the supplementary accounts, which contain all the information needed to users. The uncertain quality of actuarial data also leads to reserve this to supplementary accounts, where sensitivity analysis could be conducted. To put them in the core accounts is incompatible with the level of accuracy which is requested in Europe for GG accounts. In some countries of Europe, the obligation is stronger for social security than for civil servant

schemes. He is opposed to the OECD compromise because it still treats differently government employees' schemes and social security schemes while in many countries they have the same characteristics. The paper to the AEG should present the two positions in a balanced way. The proposed change is a fundamental change of the SNA, and the situation is that we are split on this change, so the conclusion should be prudent and we should not make the change. European countries will go ahead with their own proposal.

J. Ruser (moderator, US BEA) responds that actuarial calculations already exist in the SNA for funded defined benefits schemes, thus the argument about imputations does not hold. The current delineation between funded/unfunded is clearly to be abandoned. In the US, most defined benefit schemes are largely unfunded, so where do you classify them? The arguments about the difficulty of choosing the discount rate can be easily overcome: for government pension, the long-term government bond rate is totally adapted and acceptable by all. He insists that there is no single European position: some European countries support the task force recommendations. Finally, everybody agrees that we must use actuarial calculations; the issue is whether to have them in core or supplementary accounts. The task force made significant progress in that it clearly recommended including the new treatment in the core accounts, but it accepted a compromise of showing these data separately for unfunded schemes. A. Bloem (IMF) ensures that the issue paper to the AEG will be balanced.

Denmark takes the floor to precise that if the decision is taken not to recognise the liabilities of unfunded schemes, one should absolutely treat the case of exchange of liabilities between schemes.

Item 3: BOPCOM review, concessional debt and debt rescheduling

J. Joisce (IMF) presents first the outcome of the BOP committee.

Starting from a question from Canada regarding the institutional sector of holding companies, I. Havinga (UNSD) adds some precision on the outcome of the meeting of the task force on ancillary units and holding companies. In particular, he states that the task force recommended to classify holding companies that have no significant production as "other financial corporations". This contradicts the proposal of BOPCOM to classify these companies in the industry of its main resident subsidiary (because this allows to avoid having a loss of information in FDI statistics).

J. Joisce (IMF) notes that there is no mechanism to resolve contradictions between the national accounts and BOP communities. He then presents the two other papers on concessional debt and debt rescheduling.

The Netherlands has a problem with option 3 where concessional loans are valued at market value. The SNA records loans at nominal value. Even option 2, which may be adapted to international loans, poses problems for implementation in the domestic accounts.

Australia sees this as another example of where not treating loans at market value raises problems. He wonders whether these two issues are taken up by the Task Force on Harmonisation of Public Sector Accounts which is greatly concerned.

UNSD proposes to see it as a market loan which is written down.

J. Joisce responds that the core accounts will continue to record loans at nominal value.

Item 4: Final report of task force on financial services

P. Stauffer (moderator, OFS- Switzerland) presents the final report.

Australia makes a couple of clarifications. Regarding the recommendation to use a single rate, Australia's interpretation is to use a single rate at the institutional unit level, or more practically for a group of units, such as banks. On the issue of volume estimation, it could have been more stressed that in theory the volume of services is provided globally, thus should be estimated globally, while its payment can be either explicit or implicit. Financial institutions may be changing the mix of explicit and implicit payment, without changing the overall volume of service. Also, the estimation of the volume of insurance services should remain on the research agenda. Finally, the name of FISIM should remain as it is.

The Netherlands supports the recommendations. However, in line with the remarks of Australia, the volume of financial services should be grasped as a whole, if we do not want to make mistakes when the mix between explicitly charged and implicitly charged change.

The chair confirms that, at this stage, the recommendations of the task force are final. The comments of Australia and Netherlands will be forwarded to the AEG, which will take final responsibility for the recommendations.

Item 6⁴: Progress report of the Task Force on the Harmonisation of Public Sector Accounts (TFHPSA) (Jean-Pierre Dupuis (OECD), secretary)

J.P. Dupuis spoke to his presentation. He began by explaining the background to TFHPSA – giving a brief history, its remit and its procedures.

The UK said that much of the work of TFHPSA had been concerned with clarifications and not changes of substance. However, one important change that had been proposed by the task force and that had been agreed to by the AEG was the recording of tax credits on a gross basis. This is in tune with what is recorded by accountants.

A. Harrison reminded Mr Dupuis that the deadline for issues papers for the AEG meeting starting 30 January 2006 was 18 November 2005. Hence any consultation must be concluded before then.

The UK expressed concern that the drafting of the chapter and annex on the public and general government sectors was not due to be concluded until March 2006, and therefore could not be discussed at the forthcoming meeting of the AEG.

France made the same point.

C. Carson said that the chapter and annex were intended to provide clarification and did not involve substantive changes beyond those already agreed by the AEG. There would be opportunity to review the material after it had been edited by the editor.

Item 7: Privatisations and SPVs⁵ (Jean-Pierre Dupuis (OECD), secretary TFHPSA)

J.P. Dupuis described the outcome of the previous week's meeting of the TFHPSA on these issues.

⁴ Item 5 was the conclusion of the WPFS and can be found in the WPFS minutes.

⁵ The terms special purpose vehicles (SPVs) and special purpose entities (SPEs) were used interchangeably by members.

France asked where the discussion of SPEs could be found on the UNSD website. He then made reference to one of Mr Dupuis's slides concerning sectorisation. He said that in the 1993 SNA a defining feature of an entity, including a financial entity, to be a corporation was its willingness to put itself at risk. Entities put themselves at risk in order to earn profits for their shareholders. He expressed concern that the task force on financial services was proposing to change this criterion in the context of financial corporations to one of 'managing risk'. He thought that this would be a more difficult criterion to apply in identifying financial corporations by the risk feature. This would have ramifications for determining whether an entity belonged in the general government sector or public corporations sector.

The UK would like clarification of how decisions made at the previous week's meeting in New York would feed into the SNA updating process. He then went on to argue that we should not bend the rules to accommodate government. In particular, when governments create SPEs, including those abroad, we should treat them as they appear and not bend the rules to suit government.

The Netherlands had a question on privatisations. He asked if the TFHPSA had considered some difficult cases, and he gave two examples. The first concerned the full or partial privatisation of a transport company that was obliged to provide unprofitable services under the terms of the sale. The second concerned privatisations in which businesses were sold at too low a price. It was important that the SNA should provide guidance in such cases.

The UK said that the privatisation issues raised by the Netherlands would be dealt with as part of the public/private/government sector delineation topic (issue 36), which discusses indicators for determining how transactions should be recorded. There may still be some holes, and this needs to be checked. He thought that the SNA should provide a full description of privatisations and give guidance on how to deal with them. In particular, it was important that the early stages of a privatisation needed to be considered. For example, it was quite common for a government entity to be made into a corporation with the issuance of shares and then, at a later stage, for these shares to be sold to the public until it was no longer a public sector entity. He restated his view that much of what Mr Dupuis had described was clarification, rather than change. He also picked up on a comment made by his UK colleague that we should not bend the rules to accommodate government. He said that at the recent TFHPSA meeting, they had tried to avoid doing that. Rather than changing the system to accommodate government, they were asking for more reporting from government to give a clearer picture of what was going on. He then congratulated Mr Dupuis on his excellent presentation.

The chairman, F. Lequiller (OECD), then sought to clarify the conflict regarding non-resident SPEs owned by government. On the one hand, BOPCOM wishes to treat them as entities resident in the country where they are located, as is the case for any other unit operating in a country's domestic territory. On the other hand, there is the fact that this can lead to an incomplete, or distorted, view of the government that owns the SPE. He proposed a solution in which the accounts of the non-resident SPE are re-routed to and consolidated with those of the government that owns it. He then asked for a response from Ivo Havinga (UNSD) who had moderated the recent meeting on units where this issue had been discussed.

I. Havinga referred to the minutes of the meeting to discuss units' issues. He said that they had not yet been finalised, but a draft had been widely circulated among those who had attended. He said the meeting had considered the particular case of an SPE 'selling' an 'asset', which was in fact a future revenue stream. In line with the decision made by the Canberra II Group in September, 2005, the meeting agreed that such a transaction was in fact a loan and not the sale of an asset. As no one at the units meeting was aware of any non-resident SPEs that had been created for a different purpose, the meeting did not consider any further cases. But the meeting agreed that if such cases did arise they should be dealt with on a case by case basis. However, the units meeting agreed on the general principle that non-resident SPEs should be treated as non-resident units. He then spoke about the subsequent meeting of the TFHPSA in

which government SPEs sell bonds and use the money raised to undertake expenditures. He gave the example of a government SPE, IFIM, that had been created to purchase and supply vaccines to third world countries. The possibility of having such an SPE being recorded in the rest of the world was raised with some IMF members of BOPCOM, and they had no objection in principle. He said that he had then asked if they had any objection to a consolidation of a non-resident SPE with its government owner and was informed that they did, and he said he agreed with them. In his view, rather than a consolidation, the flows between the non-resident SPE and the government owner should be recorded. This matter is still under discussion between public finance and BOP statisticians, with a view to preparing a numerical example which would show all the flows that have to be imputed. The view of the various groups involved is that we should work within the rules of the SNA, and deal with SPEs on a case by case basis. It was not felt necessary at this point to breach the SNA rules, which is what is being proposed by F. Lequiller.

A. Harrison agreed with Mr Havinga's description of events. She said that the BOPCOM view was that non-resident SPEs differed from embassies and military bases in that they were subject to the laws of the country in which they resided, whereas embassies were subject to the laws of their home country. Non-resident SPEs were specifically created abroad to avoid the laws of the home country. Hence BOPCOM does not think they should be consolidated with their home government. Why should we make an exception for non-resident SPVs owned by government and not multinational corporations? Furthermore, it is not so easy to re-route. There is no production account for the external sector and so you would have to have the production taking place abroad and then impute the flows back to the home country. Government finance statisticians are content to have supplementary tables in which non-resident SPEs are consolidated with general government. So, there are two options have a re-routing which would affect the core accounts, or do a consolidation in a supplementary account.

Eurostat said that this issue was of major concern to them. I. Havinga's description of events agreed with his understanding, but he did not agree that government finance statisticians had expressed contentment with having two versions of general government accounts – one resident and one non-resident. The option of supplementary tables had been put forward at the TFHPSA meeting, but there had been no agreement and he thought it required further reflection. He said that it could be accepted that non-resident SPEs be considered as entities residing abroad, as argued by BOPCOM, but their transactions "should" be either re-routed or re-assigned to their home economy. The EU has a system in which government finance statistics are fully integrated with the national accounts. In this sense, it was in advance of the rest of the world and he noted one of the UNSC's directions for the update of the SNA was to minimise inconsistencies between the SNA and GFS. It was important to balance the needs of BOP and fiscal statisticians. In the case of IFIM, Eurostat decided that the unit was not incurring debt, and it was being sponsored by many governments. This decision had been supported by EU member governments. The problem was solved by treating IFIM as an international organisation. He recalled that I. Havinga had said the concerns of the Eurostat and OECD could be accommodated.

Eurostat then observed that in the draft minutes of the units meeting there is a statement that ancillary corporations should be treated as institutional units. He objected to the word "should". He said the SNA currently says that an entity which has the character of an institutional unit but which is ancillary in its output to another institutional unit should be not be treated as an institutional unit but consolidated with the latter. At the units meeting some people expressed the view that the "should" in the SNA should be replaced with "could" thus allowing ancillary units to be recognised as separate units in some cases. This is an important issue for Eurostat.

A. Harrison noted that we have had many meetings recently, with the decisions of some feeding into others. Not everyone is able to attend all the meetings, but it makes things difficult if such people want to revisit and change decisions that were made in a preceding meeting. Prior to the meeting of the TFHPSA there were extensive meetings, and it was there that public finance statisticians expressed their willingness

to consolidate government accounts across borders and accepted that these would be inconsistent with the national accounts. Another SPV case had come to light which was different to that of IFIM. In this case, the SPV had been created overseas to raise money to buy tanks which would be deployed abroad. Most of us would regard this as a general government activity. The question is how to deal with it. Maybe re-routing is appropriate in this case. There are different types of SPV: those which are pure securitisation vehicles, those which might be undertaking expenditure on behalf of government, and those which are undertaking government production abroad. We should have one set rules that can be applied to all sectors of the economy and not special rules for government.

F. Lequiller expressed his concern that national accountants and public accountants should be compelled to ignore special government units created abroad in preparing government accounts, which would affect major aggregates. How can we explain to Treasuries that their accounts depend on the location of the SPV? Some clarification was needed that would allow good accounting in these cases. Also, BOPCOM had addressed the issue of concessional debt, but the TFHPSA had not. This issue clearly affects government and needs to be considered by the latter.

J.P. Dupuis responded to some of the issues raised. We might have to reconsider the issue of restructuring agencies considering managing risk criteria for financial corporations. Regarding privatisation, there is a need to deal with the issues raised by Netherlands and he welcomed any contributions on this matter. With regard to the privatisations in Eastern Europe, this had already been addressed and will be covered in the manual.

Item 8: Earnings and funding of public corporations – capital injections/superdividends/reinvested earnings (Philippe de Rougemont (Eurostat))

P. de Rougemont spoke to his presentation and described the outcome of the TFHPSA's deliberations on these matters.

The USA spoke in favour of the reinvested earnings approach for the public sector. It brings us closer to an accruals basis and has the potential to solve other difficult problems, such as those related to SPVs, at least in part. Should we extend it to other institutional sectors? In principle yes, but it would be difficult in practice. The costs would seem to exceed the benefits for the household and corporate sectors.

Australia, too, expressed support for the reinvested earnings approach for the public sector. He proposed the creation of a task force with the objective of clarifying the definition of income in the national accounts. It could address the issues raised for income by applying the reinvested earnings approach to the public sector, but even if the change is not supported by the AEG the work of the task force would be worthwhile.

The Netherlands expressed support for the reinvested earnings proposal, particularly when public enterprises were 100% owned by government.

The UK said that nearly all members of the TFHPSA are supportive of the reinvested earnings approach in principle, but acknowledge that there are some difficulties still to be resolved. Leaving the SNA as it is, is not really an option as it not sufficiently clear on these matters and needs to be changed in some way. There are two options:

- Tighten up the definitions of superdividends, etc.
- Introduce reinvested earnings approach for the public sector

The pros and cons of the two will be presented to the AEG. The majority of the TFHPSA members are leaning towards the first option because while they are attracted to the second in concept they are

concerned about the unresolved difficulties in practice. If rejected, the reinvested earnings must be left on the research agenda, and may be introduced later.

Another UK representative pleaded for a clear exposition to the AEG of the principles of the two options in order to ensure a fully-informed decision.

F. Lequiller referred to the results of the OECD's survey of the classification of public units to be presented on the following day. It was evident from the survey that the definition of what are quasi corporations is interpreted differently by countries. In some countries thousands have been identified, while in others very few have been identified. Given this situation, it is important for international comparability that the transactions of a public unit are treated in the same way whether it is classified as a quasi corporation or not. His understanding is that the TFHPSA will recommend the first of the two options noted by the UK to the AEG. He proposed a compromise whereby the reinvested earnings approach is recognised as being the appropriate one in principle, but practical difficulties generally make it difficult to implement in practice. This would leave open the possibility to apply the reinvested earnings approach in special cases when desired.

P. de Rougemont agreed with the second UK speaker that the paper for the AEG should draw on sound principles. A fundamental principle is 100% ownership. 100% ownership is different from less than 100% ownership, because the former allows transfer pricing which affects income and saving. When ownership is less than 100% and there is autonomy then it is clear that the unit is a separate unit.

J.P. Dupuis agreed with the first UK speaker that keeping the SNA as it is, is not an option. Two options will be presented to the AEG and it will decide. He agreed with P de Rougemont's views on quasi corporations, but disagreed with his view that a capital injection is always a capital transfer - even if shares are issued. He agreed that the issuance of shares is not a sufficient criterion for recording the capital injection as an increase in equity (F5), and other considerations are required to determine whether the injection is in a true commercial context.

Item 9: Progress report of Canberra II Group: C. Aspden (OECD)

It was reported that the Canberra II group on the measurement of non-financial assets had almost completed consideration of its list of issues. Its deadline is the end of November 2005.

Item 10: Licences and leases: A. Harrison (SNA editor)

France requests the access to the new slides on the web site. The possibility of partitioning assets is often made with reference to IASB decisions: could this be clarified, in particular by those who have access to the internal proceedings of the IASB?

A. Harrison confirms that it is difficult to follow the changes of decisions of the IASB, in particular for PPPs.

Denmark does not understand the example given on house and rents. A. Harrison responds that the market price is the price actually paid for the house. This price is different if the house is occupied or not. She is trying to reflect this difference.

C. Aspden tries to clarify the case of land improvements. The AEG has agreed that one must distinguish the value of land improvements from land in its natural state- like the separation for building and the land it rests on. If it is not possible to clearly separate, check the bulk of the value and assign it to land improvements or to land.

Germany states that it is not more difficult to separate the value of land improvement from the one of land than for other structures and land. Through a concrete example taken from Australia, she states that the issue of land vs land improvement should be treated exactly in the same way as building vs land beneath the building.

Item 11: Public-private partnerships or BOOT schemes (C. Aspden)

Canberra II group did not reach a conclusion. After an extensive consultation, no agreement could be achieved. The IASB is also reflecting on the issue.

The Netherlands questions why there could not be any agreement.

A. Harrison informs that the IMF Fiscal Affairs department is expected to issue a recommendation in the end of the year.

France states that PPPs are developing so fast in Europe – and the Eurostat recommendations so complex - that there would be the need to create a PPP post in every national statistical institute. This is why we should rely on business accounting standards.

C. Aspden reminds the audience that the Eurostat treatment faced disagreement from many non Europeans in the task force on at least one main aspects which is the economic ownership (too easily shifted to the private sector when the asset is giving services to the public).

The United Kingdom is disappointed by the conclusion, given the large number and financial importance of these PPP deals (700 in UK), but agrees that they are realistic. He agrees with France that is not possible for a statistical office to treat all these deals individually. Fortunately, the UK business standards are sufficiently close to the Eurostat rules. The solution is that our rules should be close to the business accounting rules.

C. Carson suggests that national accountants should make decisions on the basis of the information that they have at one point, and then, if the background changes, we can change.

The Netherlands thinks that the SNA can have differing standards than the business accounts, and that, in this case, NSOs should look at least individually at the largest PPP deals.

Items 13 and 15: Classification and terminology of non financial assets and definition of economic assets (A. Harrison, SNA editor)

The SNA editor presents the proposed new classification of assets.

Germany asks a precision on the content of the category “military assets”.

France asks where is the background document which explains the proposed changes and regret that the discussion is not conducted further. He questions the abandonment of the category “tangible” and “intangible”. He asks some precision on the category “permission to use natural resources”. Is it linked to the infinite life of these resources?

The Netherlands has two remarks on the classification. Should not some category (goodwill, and marketing assets) include in their title the term “purchased” or “revealed”? He questions the degree of detail of the classification of non produced assets.

The United Kingdom proposes that the “Research and Development” category should precise that we are looking for the products that come out of this activity, not the activity itself. There is too much details in the classification on non produced assets. He asks a clarification of government permits, which is not mentioned here.

Norway proposes to introduce a breakdown for land improvement.

The USA is confused on the status of this category of “improved land”. In principle, land improvements should be a separate asset, but associated with other structures, not land.

A. Harrison responds. On military, the idea is to regroup all military assets in the same category. On the synthetic paper, it is difficult to make a synthesis of the many papers that led to these proposals. There will be a full paper, with introduction and definitions for the AEG. On “tangible” and “intangible”, she would be in favour of describing these categories, but in an annex to the classification. On goodwill or when permit are taxes, the definitions that will be associated will explain the limitations of the asset. On R&D, we have dropped “patented entities” but are in search of a new title for the category. On land improvement, she will move to the expression land improvement, and understood that the objective is to have two separate categories land and land improvement. C. Aspden adds that he does not agree to the UK and to A. Harrison: all R&D expenditures are assets, thus we are recording the activity, similarly to mineral exploration.

Germany welcomes that all assets that are produced are classified as fixed assets but would prefer, as the US, that land improvements and structures be in the same category, and also with cost of ownership transfer (Germany has COT only on land). She would prefer that military assets are separated between buildings and equipment, for confidentiality reasons.

The UK insists that R&D leads to products that may be successful or unsuccessful. The latter are not assets. However, we cannot estimate them, so we use all expenditures to calculate a proxy of the former, but in principle unsuccessful R&D is not an asset, and this should be clear in the title of the asset.

The Netherlands agrees that the terminology should not point to the activity, and proposes to introduce the term “knowledge”. The product is “knowledge”.

A. Harrison thinks that the business accountants use the terms R&D, and thus she would be happy with keeping these terms. She asks written comments.

Items 12 and 14: Amortisation of non produced assets and asset boundary for intangible assets (C. Aspden, OECD)

France states that there is the need of a synthetic paper.

The USA is disappointed that the Canberra II group could not conduct further the treatment of leases on non produced assets. The current state of the SNA is not satisfactory. The recent proposal to refer to financial lease has the advantage of placing the saving in the sector where it belongs, and could resolve the current problem with the non recognition of the amortisation of the lease (which is treated it in the other change in volume account).

Item 16: Top-top industry classification in the SNA: W. Cave (OECD)

This concerns the new aggregate classifications recommended by the new SNA. The AEG , OECD and Eurostat agreed on 10 categories (called “top-top”), and on an intermediate level of aggregation (38 categories instead of 31 in the present SNA).

Australia appreciated the consultation process and proposes that the new top top classification specifies a special category for owner occupied dwellings. He asks a question on the timing of the implementation of the new ISIC and the new SNA.

The chair considers that there is a large support for the proposals.

W. Cave agrees with Australia's first point, and it will be taken up in the final paper to the AEG.

F. Lequiller (OECD) confirms that a consultation will be conducted among OECD countries on the timing of the implementation of ISIC and of the new SNA. A time table has been discussed within Eurostat, the OECD will consult non European countries.

Items 18-19-21-22: Data collection and dissemination at the OECD

The OECD presents the situation of national accounts data collection and dissemination in the field of annual accounts (C. la Rosa), general government accounts (JP Dupuis), public sector employment (E. Pilichowski), and quarterly accounts (M. Harary).

Regarding the implementation of allocation of FISIM:

Many countries report that they have implemented it. Have not yet: CZE (June 2006), ISL (in 2006 for both annual and quarterly national accounts), ITA (end of 2005 for annual national accounts and in February 2006 for quarterly national accounts), JPN (in March 2006 only for annual national accounts), LUX (November 2005), SWE (17th of November for annual national accounts and at the beginning of December 2005 for quarterly national accounts), NZL (no plan in the next two years), NOR (December 2006 for both annual and quarterly data), CHE (end of 2006: In October or November 2006 for annual national accounts and few months later for quarterly national accounts), TUR (allocated FISIM as well as chained link data will be provided in March 2006), UK (November 2005 but only for the most recent period. Allocated FISIM for the whole period will be available in June 2006 for both annual and quarterly data), SVK (November 2005 for annual national accounts and during the first quarter of 2006 for quarterly national accounts), POL (January 2006 for both annual and quarterly national accounts).

The chairman indicates that, in the OECD annual national accounts team, Catherine La Rosa has replaced M. Hainaut who has recently retired. He insists in the importance of the transmission of tables related to capital statistics: table 2000, 2600 and the additional series required by the OECD. He also indicates that expenditure data of general government are very much demanded, and a consultation will take place regarding the transmission of more detailed GG expenditures (in COFOG 2). Finally, he confirms that the systematisation of the new questionnaire to all OECD countries requires first the confirmation of its adoption by the European countries. The chairman informs the WPNA that the new OECD.STAT database of the OECD will shortly be freely accessible to all delegates on the OECD Internet (OLISnet).

Regarding the transmission of *general government accounts*:

Australia asks if it is possible to use GFS data to respond to the OECD questionnaire.

To provide the detailed table 1101, ABS will need to use data from the government finance system and therefore use GFS definition, as ABS compiles table 1100 only at the first level. Is it a problem?

The USA protests that non European countries should also have the opportunity to give their opinions on the changes of the questionnaire.

New Zealand would also like to know what is the tie-in with GFS is. He asks clarification on the request of detailed volume output by government function.

J.P. Dupuis confirms that the GFS data are quite consistent with the SNA, so GFS could be used for detailed SNA expenditures. However, he reminds the audience that in GFS parlance "total government expense" consists only in current expense, not including capital expenditure, whereas for table 1100, total expenditure covers both the current and the capital expenditure.

The chairman answers to the US delegate. He recognises that there is a problem on the process of determination of the questionnaire. There are 30 OECD Member countries and 22 of them are organised under Eurostat's procedures. The OECD, and its non European countries, are therefore dependent of Eurostat. He admits that not enough voice is given to non European countries, as the Secretariat is constrained by the idea that we want to have the same questionnaire for all countries. But, to this point he has not figured out how to move to a more balanced process. He also answers to the NZL delegate about volume of output. He says that there is a new demand emerging for studies of the efficiency and productivity of government. People dealing with this subject accept to take national accounts data as a benchmark but need more detailed data on the volume output of the general government. Thus the OECD objective is to be able to deliver series on productivity by type function of the general government.

Denmark says that the volume output can be calculated in two different ways: by deflating input or by extrapolating by output indicators. He suggests that what is the OECD is asking for the latter, because the former is not useful for productivity analysis.

The chairman says that the DNK delegate is conceptually right. But he insists in that what is needed first is more detailed data on volume output. Then will come the qualification of this data. He said that, at first stage, a survey would be made on what is available.

Australia states that one should specify whether one is looking for the volume of final consumption expenditure (excluding capital expenditure) or for the volume of government output.

Regarding the transmission of *hours worked*:

Netherlands agreed that hours worked should be part of the NA. It is the case in Netherlands where a component based solution is used together with information from the LFS. Two questions : how far is OECD planning to follow the ILO definitions and the recommendations of the Paris group ? In the labour cost index, hours worked need to be compiled. The information on hours worked from the labour cost index might not be identical to the NA definitions, but it might be worthwhile using this information as it is probably available in many European countries. Netherlands hopes that OCDE will continue working on the differences between LFS and NA results.

Eurostat explained that there was some delay in sending the questionnaire on differences between NA and LFS to European countries because it needed to take account of the information already reported by countries. The questionnaire will be hopefully sent to countries before the end of 2005 and the results presented at the next year NA meeting. The co-operation with OECD has been very useful and helped improving the quality of the data and Eurostat hopes that it will continue.

F. Lequiller (OECD) indicates that he intends to use the SNA definitions which are the same as the ILO definitions. He added that the ILO was discussing some small changes and that these changes will be introduced as a clarification in Chapter 17 of the SNA in order to stay consistent.

Item 20: Results of survey on public units (J.P. Dupuis, OECD)

J.P. Dupuis presents the aggregate results of the survey and reminds participants that individual answers are available to them on the web site of the WPNA.

Eurostat welcomes the questionnaire which shows that there is a potential boundary problem between the 100% public corporations and the quasi corporations, but also a boundary problem between the quasi corporations and the government units. The heterogeneity in the number of public quasi corporations across countries as shown by the results presented does not automatically point at a classification problem. Perhaps it reflects the heterogeneity of the legal systems, some of which being more amicable to quasi corporation, some others less amicable. However, there is a doubt. Perhaps some countries did use quasi corporations to correct the situation, perhaps some other did not. It may thus be better to treat 100% own public corporations or corporations similarly to quasi corporations, and therefore extend the super dividend treatment that we have in the current SNA for quasi corporations to the 100% owned corporations.

Second boundary issue: The boundary between quasi corporations and government units. Where there is a market activity in a government unit, SNA suggests, if possible, to extract those activities outside general government, with the effect that the net saving of the unit is changed because the quasi corporation exhibits a net saving. He suggests that this net saving should not be extracted from the government accounts.

He notes that 9 countries compile a public sector, which is already a good point, even if, in Europe, what counts is general government. But the public sector is also an important indicator. However a question arises: should we consolidate transactions between public corporations and government? How can we analyse the public sector's revenue?

The USA thanks the OECD for this questionnaire, which was very useful. He would also be interested to know if the differences shown in the results reflect the difference in institutional structures within countries or simply differences in interpretation of SNA. He suggests that the next step would be to look at case studies to see how different countries treat specific institutional units within their countries.

Item 25: The measurement of capital services (Anne Harrison, SNA editor)

Chair: Paul Schreyer (OECD)

A. Harrison spoke to her presentation.

The USA said that the formulae for the user cost of capital given in the paper did not take account of taxes and this needed to be corrected.

Australia expressed support for a different rate of return for different industries. He also noted the importance of a consistent treatment between countries for international comparisons. It is important that the capitalisation of R&D be implemented in a consistent fashion for this reason.

C. Aspden (OECD) said that an additional benefit of deriving measure of capital services was that it allowed confrontation with estimates of GOS and the capital component of gross mixed income. Therefore, it could be seen as an extension of the supply and use framework that is advocated by the SNA for the compilation of the production account.

New Zealand was not convinced that inventories and non-produced assets should be included in the calculation of capital services.

The UNSD was supportive of estimates of capital services being shown in a supplementary table and to give them a higher profile he thought they should be given code numbers as are variables in the core accounts. The fact that bond rates vary considerably between countries should be taken account of in the advice given by the SNA on choosing rates of return.

A. Harrison said that a revision of the OECD manual *Measuring Capital* would be released at about the same time as the revised 1993 SNA. This would provide details of how capital services could be estimated.

P. Schreyer (OECD) said that the OECD intended to hold a capital measurement meeting focussed on the measurement of depreciation in 2006.

Item 26: Country experiences in the measurement of capital stocks (N. Griffin, ONS, UK; K. Nomura, Keio University, Japan; M. de Haan, CBS, Netherlands)

The three presentators expose their papers.

Australia congratulates the three countries for the impressive work. On the UK paper, he can confirm that the Australian government is also introducing depreciation at replacement price and that, at aggregate level, it does correspond to the results of the PIM model. He asks whether the UK knows the different assumptions made by the UK government accountants.

The USA also congratulates the three authors. The US BEA is discussing with the central government US accountants, even if it did not yet go as far as the UK. The Japanese paper correctly stresses the importance of land in capital services. He noted in the paper from Netherland the interesting estimates of transfers of assets between sectors.

The UK announces that it is currently working to re-estimate its software capital, and would be interested to know if the OECD will organise another survey (note: the OECD Secretariat has organised a new survey already in 2004).

N. Griffin responds to Australia, saying that they discovered that their micro data on GFCF did not correspond to the data from Treasury.

Item 27: Open session: Alternative measure of well-being (A. Johansson and M. Mira d'Ercole, both OECD).

The paper is presented by the two authors.

M. Mira d'Ercole adds that it was presented in the OECD's Working Party 1 the previous day. One comment by delegates of this important OECD committee was that environmental issues are not considered in the paper, while they should have been. Also, many delegates criticised the lack of conclusion of the paper. Some countries argued that the OECD should not focus on one single number (GDP per capita) but a vector of goals. The chair of WP 1 insisted that generally economists gave too much faith to the NA numbers. They should be less lazy and enter more in the discussions on the quality of the underlying numbers (in particular government output).

The chair reminds the audience that no change of the production boundary is envisaged in the current SNA review. To open the discussion, he presents the two main messages of the paper: (1) economists are in no need of other alternative measures in the national accounts than GDP per capita (i.e. alternative measures are strongly correlated with GDP per capita, and are therefore not very useful); (2) to measure

well-being economists need other indicators (leisure, inequality, social indicators) than GDP per capita, but is there a necessity to build a “super-GDP” incorporating these additional measures?

Canada thinks that, even if other indicators are needed to measure well-being, national accounts remain, by their comparability in time and among countries, an unavoidable measure of, at least, the change in the economic aspect of well-being. He regrets that the paper ignores the national accounts data on households’ wealth (in particular, consumer durables).

Australia welcomes the paper, and explains that Australia also looks into a vector of indicators. He does not think that we are heading for a unique “super-GDP”, at least for the next 30 years. Undoubtedly, there are improvements to be made to the NA, but they remain sound as they are based on a good theoretical framework. Australia is against composite indicators, because there is much arbitrariness in the selection of the indicators and their weight, and indicators may change over time. However, he sees the graph in the table on random weighting of composite indicators as fascinating. While the data in the paper seems to show that the degree of “happiness” in Australia has not changed since fifty years, he is confident that the people of today would not want to live in the conditions of fifty years ago.

The Netherlands does not support the compilation of composite indicators; as Australia they are in favour of approaches having a vector of relevant indicators. She asks whether the paper considers leisure of unemployed as positive (the response, later, by M. Mira d’Ercole is: no, only leisure time of *employed people* has been taken into account in the paper, so it is a conservative estimate).

Germany also welcomes the paper. She explains that Germany has calculated recently home production using a time use survey, and also consumer durables’ stocks (but they were not published).

A. Johansson responds to Canada that unfortunately only a few countries publish full balance sheets (including consumer durables).

M. Mira d’Ercole confirms that it would be important to use measures of households’ wealth (and also other stocks, such as public infrastructure). The OECD also shares the reluctance to publish composite indicators, but the paper shows that they cannot be dismissed on the base of not providing any information. For the future, one avenue of work is to go in the direction of more integration in a NA type of monetary framework (broaden the measure of production, in satellite accounts – see in particular experiments in the USA). If this does not happen, he sees difficulty in stopping the development of composite indicators (the OECD has published a manual). He explains that the measure used in the paper regarding inequality is better than the one applying Gini coefficients directly to GDP. One important item in the research agenda of national accountants would be to try to reconcile their households’ income and wealth data with the surveys on income and wealth of households. In Mexico, the cash figure from the survey is 50% of the national accounts number! Regarding results on “happiness”, the interesting point is that people adapt to the level of income, so that an increase in this level does not make automatically the people happier.

The chair concludes on some practical lessons for the WPNA: (1) discussion with users are always very productive, (2) wealth data have been dropped from the paper because they are not available: we should therefore conclude that this is a priority program, (3) users do not want us to change the production boundary of the NA, they simply want consumer durables stocks data, and we should be able to do that without changing the production boundary. He notes that the paper states that the OECD considers that below 5% differences of GDP per capita between countries are not significant, showing the limited accuracy of the NA. Finally he announces the 2007 Forum on Statistics in Istanbul which will discuss mainly of a set of indicators to measure progress.

Item 28: Revisions in quarterly accounts of OECD countries (T. di Fonzo, University of Padova/OECD)

The paper is presented.

Korea welcomes the paper which is useful to assess the advanced estimate recently published in Korea. However he questions Table 2, in which Korea appears with the highest revision statistics. This can be partly explained by the size of the growth in Korea, which was much larger than other countries. The current growth is now around 5%, so the revision size will decrease. Also the numbers are affected by the fact that now Korea makes its own seasonal adjustment (at detailed level) while before it was the OECD who did it at aggregate level. This affects the results.

Canada supports the OECD initiative but suggests that countries send some background information on the origin of revisions.

Hungary supports the initiative. Hungary will publish similar information on its web site.

Germany supports the remark of Canada about documentation. The larger revision in year 3 in Germany may come from the practice of the 5 years' process of benchmarking. Chain-linking may also be an important reason. Germany prefers revision analysis on unadjusted figures.

Sweden asks why they are not included in the analysis.

Denmark supports the initiative. He strongly supports regular assessments. He would propose to go further: annual accounts, and also government net lending/borrowing, public debt, and tax revenue because of their importance in Europe. He supports the indicator of mean and absolute mean revision for their simplicity. He is not sure that documentation on the origin of revisions so important, except new developments that would change the average revision figure for the future, and also to distinguish between the current production of national accounts and large definitional revisions.

The UK welcomes the possibility to compare with other countries and is strongly in favour of continuing this work. She strongly supports documentation of the origin of revisions (inspired by the eight classes of origin of revision proposed in the OECD/ONS workshop on revisions). She is happy that the word bias as been avoided. She notes that the process of revising the reference year of chain linking every year has caused a lot of problems with users that compile output gaps. She explains that some users incorporate in their forecasting model a possible "bias" of first estimates, but they want it to be broken down between changes in definitions and regular revisions. Finally, it is important to archive electronically the data.

Australia supports the initiative and will publish its own analysis in the beginning of next year. Revisions to level (ranking of countries) might also be interesting. He asks whether OECD economists be able to set a threshold of the revision level above which the data becomes unusable for policy recommendations? He insists that the data come with metadata and that one should make sure that these international results are consistent with the national results. He agrees that seasonal adjustment practice is an important origin of revisions.

Norway supports the initiative. Norway is starting a process, but will use essentially unadjusted figures. She agrees on the importance of documentation.

T. Di Fonzo explains that revision analysis is only a dimension of quality analysis. He agrees that the numbers are a static image of revisions, while documentation on the origin of revisions is dynamic and is

therefore essential. Regarding Sweden, only raw data was available. Korea has had an extraordinary revision in 1999, which is an outlier. It might be an error.

The chair asks Sweden and Korea to send the OECD written comments. He notes that all delegates supported the initiative of the OECD to publish regularly revision analysis for OECD countries, which has the advantage of being internationally comparable. All delegates asked for background documentation. When the Secretariat will prepare the next revision analysis database next year, countries will be requested to transmit their comments, that we would be included in the database. The Secretariat will have unfortunately not the resources to extend to other domains than quarterly national accounts.

Item 29: Conclusions and program for next year (F. Lequiller, OECD)

The chair announces a change of the governance of the WPNA, with the creation of a Bureau, who will better represent the needs of the delegates. He presents the work program of the NA unit in the OECD, which will focus on issues of implementation and practice (compilation guides). He proposes for next year an item on the organisation of the national accounts departments of OECD countries.

The USA makes some proposals for next year: (1) non profit institutions (NPISH sector, UN manual), (2) model based methods for balancing supply and use tables, (3) development of new quality adjusted price indices, (4) organisation of statistical offices: training and retention of employees.

Australia agrees on the importance of research papers and open sessions. He suggests: "ITC satellite accounts", "non produced tangible assets". He questions about the coordination between the present meeting and the UN-ECE meeting in Geneva.

Norway would propose "globalisation" and "possibility of sharing data between NSOs".

The Netherlands would appreciate a discussion of new estimates for software and on depreciation.

New Zealand would like to discuss methods of implementation of the new ISIC.

The chair confirms that he will make sure that there is no redundancy with the UN-ECE meeting of April 2006. The Secretariat will organise a consultation on the timing of implementation of ISIC and the new SNA.

He, and the vice chair (I. Tvarijonavičiute) conclude the meeting by thanking all countries, including non member countries, for their participation. Non OECD countries (15) appreciated to be invited in this meeting.