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**STATISTICS DIRECTORATE
COMMITTEE ON STATISTICS**

Working Party on National Accounts

MINUTES OF THE WORKING PARTY ON NATIONAL ACCOUNTS

**Held on 10-12 October 2006
Tour Europe, Paris la Défense**

For further information please contact:
François Lequiller
E-mail: francois.lequiller@oecd.org

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MINUTES OF THE WORKING PARTY ON NATIONAL ACCOUNTS, OCTOBER 10-12, 2006

PARIS, 15 JANUARY 2007¹

Warning: 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/25/0,2340,en_2649_34245_36702937_1_1_1_1,00.html

Items 5 and 6 that are relative to the WPFS are available in the minutes of the WPFS meeting.

The chair (Brent Moulton, BEA, USA) welcomes delegates. This is the first time the WPNA is chaired by the members of its Bureau who have been elected for two years in January 2006. The bureau is composed of the following members: Brent Moulton (chair), vice-chairs: Masayuki Goto (ESRI, Japan) and Csak Ligeti (HCSO, Hungary). The first part of this year's meeting relates to remaining unresolved issues of the review of the SNA 1993. These sessions are "for information" and are shared with non OECD member countries of the UN-ECE region. 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)

Carol Carson thanked the OECD for hosting this discussion on the update of the 1993 SNA, she then spoke to her presentation. Most interventions from delegates congratulated her and the ISWGNA for the success in the process of review of the SNA and also the UN for their excellent web site devoted to the review. United Kingdom requested that readers of the new chapters should be in a position to clearly see what has been changed in the SNA. A. Harrison (editor) responded that this will be made possible on the UN web site, where a "difference file" will be made available, comparing "version 0" (which is a version where some paragraphs have been moved from one chapter to another, but with no changes in words) with the proposed new chapter (called "version 2"). Australia demanded that clarifications would not be omitted. A. Harrison responded that clarifications are included in the "matrix" presented on the UN web site. Netherlands (supported by Germany and Canada) proposed that the chapters on price/volume and on employment be positioned, given their importance, among the first ones and not at the end of the SNA (this was realised for employment after the meeting). France and Germany were concerned by the number of new chapters devoted to institutional sector accounts and expressed the opinion that maybe the ESA will have difficulties to incorporate all this new material. A. Harrison explained that these sector accounts will

¹ Minutes takers for the Secretariat include Charles Aspden, François Lequiller, Michèle Chavoix Mannato, Micheline Harary, Catherine La Rosa-Elkaim.

be short. OECD mentioned that the one on public sector is already available. France asked what will be the content of chapters 14 and 18. A. Harrison replied that chapter 14 is a general presentation of GDP, GNI, times series, volumes, that was missing from the present SNA. Chapter 18 (now numbered 17) will contain the old annexes on insurance and FISIM, as well as new text on pensions and guarantees. ECB requested that outlines of chapters be circulated. The chair concluded by congratulating all participants in this review for the considerable work done since three years.

Item 1: (continued): Plan of implementation of new SNA (Charles Aspden, OECD)

Charles Aspden presented the results of the survey conducted on the plans of countries for implementing the new SNA. Netherlands protested that the OECD should impose a coordinated timing of the implementation of SNA in non EU countries rather than accept that international comparability will be decreased during several years. Australia confirmed that their plan of early implementation (2009) was firm, but promised that they would try to publish studies on the quantitative impact of the changes so that to allow international users to adjust for it, especially for R&D capitalisation. OECD reminded the audience that, first, it has no legal power (as the EU has) on OECD member countries, second, that it is difficult to ask to some efficient non EU countries to delay the implementation of the new SNA when EU countries have not yet decided on the timing of the implementation of the new ESA, and, finally, that the OECD would publish during this transition period a study comparable to the one published two years ago explaining possible differences and quantifying them. The chair confirmed that the US will prepare also similar studies.

Item 2: Pension schemes in the new SNA (Anne Harrison, editor of the new SNA)

Anne Harrison presented the compromise proposed by the European task force on the treatment of government sponsored pension schemes, based on a room document (available on the web site of the meeting). United Kingdom is concerned with the compromise. First, a supplementary account resembles an alternative account. This would mean an alternative public debt, an alternative household saving ratio, thus confusion. The UK approves the initial proposal to record liabilities for all employer pension schemes. Its pension system is similar to the US, Canada or Australian ones. Thus the UK would be in an awkward position if obliged not to treat them alike. The government itself is obliged to record the liabilities of its unfunded system for its own employees. The UK is in favour of a clear set of criteria in the SNA for recognition of the pension liability, based on the degree of commitment of the sponsor and the degree of certainty of its measure. Considering the quantitative importance of this issue, it is not sound that the SNA does not propose a standard treatment and, on the contrary, allows flexibility, abandoning its commitment of harmonizing national accounts. IMF remarks that the words “supplementary” and “memorandum” are used exactly in a contrary way by the SNA and the BOP manuals. It enquires whether pure voluntary pension saving schemes are included in the “supplementary table”. Australia is comfortable with the compromise as long as it allows them to record all liabilities of unfunded employer schemes. Spain remains unconvinced of including an imputed property income for unfunded schemes. Canada, which has already booked the liabilities of public unfunded schemes, has still to do the same for private schemes. Canada is publishing a pension satellite account and is interested in the European task force which should continue discussing this issue. OECD confirms that, by accepting this compromise, it has renounced to some international comparability. However, there is progress with the existence of the supplementary standard account, which will allow users to make adjustments to public debt, whether adding schemes or subtracting schemes. Unfortunately, there will probably be no clear criteria in the new SNA. France supports the compromise, but reminds the OECD to use more carefully the term “public debt”. USA finds the compromise acceptable, and remarks that in the United States there is more attention on the (underfunded) private sector pension schemes than on the public ones. New Zealand asks whether social assistance is included in the supplementary table, which of PBO and ABO actuarial methods will be recommended, and where the pension liability will be recorded, in the sponsor’s account or in the pension

unit? United Kingdom does not understand why criteria are part of the research agenda because they are known. Conceptually there are two of them: (1) the degree of strength of the commitment, (2) the degree of uncertainty of the amount. Both these criteria determine whether a promise becomes a liability, a provision or a contingent liability. So, there is no conceptual issue with the criteria. However, UK recognises that there is an implementation issue. Germany finds the compromise useful and proposes that the OECD WPNA officially supports it. A. Harrison is glad that nobody criticised the private sector part of the compromise. Passing, she noted the paradox that, in the US, people are questioning the quality of the asset held on private pension schemes while in Europe, they are questioning the quality of the asset held on public pension schemes! She confirms (1) that social assistance will not be included in the supplementary table, only social security; (2) that the proposal is to recommend in the SNA preferably the ABO method to the PBO; and (3) that the pension liability will be recorded on the autonomous pension unit's balance sheet (only the underfunding would be recorded as a liability of the sponsor, and an asset of the pension unit). She understands the position of the UK, but states that it is unrealistic to pretend that we will be able to include clear criteria in the SNA. ECB informs that the European task force will propose a supplementary table, discuss on criteria, and work on actuarial estimation methods. OECD will inform its non European members of the conclusions of the European Task Force. Regarding the request of Germany, the chair states that, because this item was not marked as "for decision", it is not appropriate to take a decision on it. However, he proposed (and nobody disagreed) that the minutes of the meeting state that "in general, the discussions in the WPNA have been supportive of the compromise", *dont acte*.

Item 3: Leases and licences (Anne Harrison, editor)

Anne Harrison presents the last decisions of the ISWGNA on issues regarding leases and licenses using a power point presentation (available on the web site). United Kingdom regrets that a paper is not available on these essential issues, considering that the decisions of the ISWGNA are quite far from those expressed by the Canberra II group. Examples of the gap between the UK view and the last decisions of the ISWGNA, is that the UK viewed contracts essentially as financial assets and that now, they are presented by the ISWGNA as fixed assets; also, the UK view is that the price of a contract is a market price *only* at the moment of the signature of the contract, then, after some time it can differ from the market price. Italy wonders if the recommendation on "encumbered" value does not conflict with our current methods for estimating imputed rents. Germany disagrees with the conceptually non harmonized approach of the ISWGNA who can recommend treatments that differ whether licences are on gold mines, petroleum extraction or taxi licences. In his view, all licenses reflect the sovereign power of the state to tax activities and should be classified as a type of tax. There is no notion of ownership there: the state does not own these assets, it simply taxes them. Canada sympathises with the German position in the sense that natural resources are not owned by the general government but are held in trust. He would like the SNA to verify at the end that consolidation of the value of the asset and of the value of the leases on the asset is done properly. Australia remarks that, despite, the difficulties, progress has been made. France understands that no change has been really introduced on leases and licenses in the new SNA. In this condition why change the titles in the classification of assets? A. Harrison replies that the German position is not shared by many others: most favour including natural resources in the balance sheet of the general government, and most favour classifying extraction fees as rents and not taxes. Some proposed that if the extractor paid for half the rent, then half of the value of the natural resource would be on his balance sheet. But this was rejected and the proposal to treat this situation using a financial lease was thought to be the least bad solution. Regarding the relation between encumbered value and imputed rents, on the contrary of what Italy said, the encumbered value is indeed what is used to estimate imputed rents. So there is no contradiction. She understands all who welcome a full paper on these difficult issues. She promises to do her best in the format of the paragraphs of the new chapter 17 of the SNA in which these issues will be discussed.

Item 4: Classification of financial corporations and of financial assets (Reimund Mink, ECB)

Reimund Mink presents the new classifications of financial corporations and financial assets in the SNA 1993 Rev 1. Canada supports the recommendations. New Zealand is concerned by the classification of financial auxiliaries among financial corporations, and even more, by the creation of another sub-sector consisting of “others” that are neither auxiliaries nor financial intermediation. Who are they? Why not classify them as non financial corporations? What is the rationale of the “financial corporation sector”? Australia regrets that the ECB proposal of three major sub-groups has not been supported by the ISWGNA who has retained 9 sub groups. He feels that international reporting and consolidation mechanism will suffer with these too numerous sub-groups. He wonders whether it is sensible to have both investment funds in the corporations’ classification and in the asset classification. OECD agrees with Australia and was also happy with the ECB proposal of three major sub-groups. He confirms that the WPFS will have to discuss, with Eurostat and the ECB, of the main groups that will be included in the reporting tables, and that the three major groups may become in practice, the mode of reporting to the OECD. Ireland is also concerned about the number of sub-groups but agrees with the separate category for financial auxiliaries. He asks whether there has not been some loss of consistence with ISIC. Netherlands also is concerned about the number of sub-groups and would have supported the ECB categories. The term “schemes” chosen to qualify the group of insurance/life insurance/pension/guarantees is not a good choice. He would welcome clarification of the decision on holding companies. A. Harrison explains that she could not make agree the IMF, the ECB and Eurostat on common major groupings, and thus allowed flexibility. However, she would support that reporting tables of OECD (or others), include major groupings. Regarding consistency with ISIC, it is nearly 100%. The “nearly” is that head offices of financial companies will be classified by convention within the financial corporation sector, and will not be classified as non financial, as suggested by ISIC. The definition of holding companies will be improved as, simply; companies that hold the shares of the other companies of the group. They will all be classified as financial. Regarding the term “schemes”, she did not find a better one. Japan insists that deposits and loans are different and should be separated. Canada reminds the delegates that the new SNA will not modify its main recommendation that accounts are generally unconsolidated. However, as discussed in the WPFS, the new SNA should set as a standard supplementary output *consolidated general government accounts*, and, possibly, a consolidated account of monetary financial institutions. Belgium is surprised by the two “others” category, by the existence of money market funds both in the asset and in the corporation classification (one occurrence is sufficient), and by the fact that the OECD pension classification discussed last year was not taken into account. In response to these comments, Reimund Mink explains that the 9 sub-groups is a compromise. The ECB thinks it is important to link monetary aggregates and the financial accounts, thus their proposal of a group of monetary institutions, but this is not the view of others. He still finds that progress has been made in identifying the composition of the “other” category. He confirms to Japan, that despite some opponents, the split between deposits and loans has been left unchanged. France asks what is now the process for decision. The chair also remarks that there were many complaints on the sub-groups, and enquires what the procedure for them to make modifications is and whether the international institutions should not talk better between each other. C. Carson responds that they have talked but with no success. Regarding the procedure, delegates that are willing to discuss these proposals will have to do it when commenting the chapter on financial accounts on the UN web site.

The chair moves to François Lequiller, OECD

Item 7: Capitalization of R&D

Charles Aspden presented his report on the outcome of the joint Canberra II/NESTI meeting in May 2006, which addressed the practicalities of recording expenditures on R&D as GFCF. Denmark referred to the OECD note that commented on Mr Plovsing’s (head of Statistics Denmark) letter to Mr Cheung (UNSD) and expressed his concern about the fact that the letter had been made available to the meeting

only 16 hours before discussion of this item. He then went on to argue that there were considerable conceptual and practical problems to be overcome before the implementation of R&D as a fixed asset could be done satisfactorily. He argued that the estimates should be compiled in a satellite account, and only when it had been demonstrated that they were satisfactory should R&D GFCF be incorporated in the core accounts. The United States expressed a contrary view, giving strong support for the “capitalisation” of R&D in the core accounts in the current update on the grounds that knowledge assets are increasingly being recognised as a very important explainer of economic growth. He acknowledged that there were practical problems, but was confident that they could be overcome. He then said the boundary defining which R&D should be recorded as GFCF needed clarification and had come to the view that it was unsatisfactory to use input price indices to derive volume estimates of R&D GFCF. He also thought basic research undertaken by government should be recorded as GFCF when it was furthering the government’s aims. The Netherlands also expressed general support for the proposal to record R&D as GFCF. He, too, was confident that most of the practical problems could be overcome. He thought that there was no point pursuing the development of quarterly R&D surveys, as they were not practical and satisfactory estimates could be obtained by other means. He thought only R&D that was protected and could be sold should be recorded as an asset. The United Kingdom also expressed general support for recording R&D as GFCF, but shared the Netherlands’ concerns about including unprotected R&D as an asset. He also questioned whether the relationship between R&D GFCF and copyrights had been fully articulated. France expressed general support for recording R&D as GFCF and agreed with the United States that some basic research by government should be included. Canada considered the R&D GFCF as a major step forward. However, she was unhappy about the proposal to only include R&D that was of direct benefit to the owner; she would prefer all R&D to be included. Australia also expressed strong support both for the proposal to record R&D as GFCF and to develop a handbook providing guidance, but cautioned against doing it too quickly. The UNSD said that account should be taken of all the work being undertaken in this field by business accountants and universities. Spain gave support in general for the proposals, but had concerns about the practicalities. Sweden expressed support for the views expressed by Denmark and saw major practical problems. Germany agreed that the inclusion of R&D GFCF would improve the relevance of the national accounts, but he had great concerns that its inclusion would reduce the quality of the national accounts overall. He thought it would be best to compile R&D statistics in a satellite account. Norway favoured compiling the R&D statistics in a satellite account, but only for testing and making improvements, and then they should go in the core accounts. The chair noted the different views expressed on the proposal to record R&D as GFCF in general and the boundary of the R&D to be so recorded. As this is not a decision-making forum he would not attempt to summarise the discussion. However, the arguments made would be presented in the minutes of the meeting. He then went on to say that he thought it was appropriate for the OECD to respond to Mr Plovsing’s criticisms of the R&D data on OECD databases, but acknowledged that it should have made those comments available earlier, and apologized for this. The presenter then responded to the points raised. He began by making the point, regarding Denmark’s criticisms, that while some of the industry data on the OECD database had problems, the OECD had attempted to rectify them in a separate database. But in any case, the OECD believed that the aggregate data at the institutional level was of reasonable quality. He agreed that indeed that had been severe problems with the capitalisation of software and an important lesson had been learnt. That is why the OECD had already commenced work on developing a handbook that would provide guidance on compiling R&D statistics. He agreed that it was a good idea to begin by compiling R&D satellite accounts, but was confident that the problems already identified could be largely overcome in a reasonable amount of time. Turning to the scope of what R&D should be recorded as GFCF. The ISWGNA had come to view that the standard rules for defining an asset should apply to R&D, and it was up to the Canberra II/NESTI task force to develop recommendations on how it should be dealt with in practice.

Item 8: Capitalisation of R&D: country experiences

The USA and Israel presented the results of their investigations into capitalising R&D. They were complimented on their work by a number of members. Australia suggested that sensitivity analysis might be a good idea, and this was agreed.

Item 9: Towards a better measure of non market output: Report of the joint OECD/UK/Norway seminar (Alain Gallais, OECD)

Alain Gallais, head of non-market project in STD/NAFS, commented orally in French a PowerPoint presentation (in English) on this project and on the first step which was the joint OECD/ONS/government of Norway workshop on “Measurement of Non-market Output in Education and Health”, held in London on 3-5 October, 2006. The United Kingdom asked whether OECD had the intention to include collective services in its project. François Lequiller answered negatively, as the methodological value added brought by OECD was based on its education and health networks, but there exists no OECD networks on public safety and order, defence, etc. The United States reminded that they were undertaking active research on the topic of output methods, but that they wanted to understand more on the significance of the gap between input and output techniques before envisaging any change in the NIPAs. Italy asked if the project would contain a comparison between market and non-market sectors on price and quality, especially in health, for it would be an interesting item. The United Kingdom said that the discrepancy between input and output methods was not a measure of the public sector inefficiency. Moreover it suggested to national accountants to concentrate on the measurement of business (market) sector, which is more meaningful for economic cycles, and of greater interest for macro-economic users such as the Bank of England and private users. Norway contested that there would be a systematic gap between input and output results. The absence of a proper quality adjustment could be the cause of such a gap. Norway also expressed also its fear in front of the British proposal to use QALY and “value” weights in health, for QALY is highly subjective and cost-demanding. Canada explained that it had renounced to the output methods because national accountants could not convince the users about the correct taking into account of quality, and therefore the input methods were more understandable and acceptable by users. Involving the education and health economists in the OECD project is a good point. One study-case is the comparison of New York and Ontario hospitals with heart surgery. There are perhaps twice more heart surgery procedures in New York than in the Ontario, but the life expectancy gain is almost identical, so what about activities, outcome and output? Alain Gallais commented first on education services and the gap between input and output results. The U.S. paper presented by Michael Christian in the recent London seminar gives all the elements to understand the discrepancy: in one case you count the teachers, in the other one the pupils. The fact is that the ratio teachers/pupils is increasing, because of demography or education and social policy, which generate a gap between input and output results. The efficiency of teachers is not involved. The efficiency of the education system is to be questioned only if the scores are taken into account as a quality adjustment. In this case, if the scores do not increase “proportionally” to the reducing of the class-size, you could measure a negative productivity, which is only a particular case of the common “decreasing output” pattern. On market and non-market sectors, the idea is more to abolish the boundary between the two statuses, especially in health, as very close situations are classified differently across the countries, and any international comparison would be impossible if market had to be compared with market and non-market with non-market. The idea is hence to recommend the “non-market” output method for the market sector, for it is unlikely that CPI techniques catch the right quality adjustments. “Value” weights could be revolutionary for national accounts if they were used, consistently with some proposals in the UK, in current prices and not only in volume. One would have then no more a null Net Operating Surplus. But it would rely on the surplus of the consumers, which is not the case for market sector. The idea of QALY is very seductive, but should, in Alain Gallais’s view, be limited to some very specific quality adjustments (two substitutable treatments could be aggregated using this method, but not all categories of DRGs). The chair concluded that the table of contents of the handbook would be circulated within the year among

WPNA members, as among the different OECD networks. OECD is aware that a key point is the agreement of the education and health economists. The content of the handbook will be discussed in the 2007 WPNA.

The chair moves to Csak Ligeti, vice-chair of the WPNA.

Item 10: Methods for balancing supply and use tables (Anne-Lisbeth Brathaug, Norway); Item 11. Integration of SUT and National Accounts (Frederico Di Leo, Italy); Item 12. NPISH satellite account (Naoto Yamauchi, Japan); Item 12. New estimates of hours worked in Australia (C. Obst, Australia).

These papers reflected OECD countries' experience in practical methods of national accounting. Only a few questions of clarification were asked by delegates. Regarding the last presentation on new estimates for employment in Australia, Netherlands and Norway requested some clarification on the consistency of the Labour Force Survey as a source for hours worked with business surveys and with the statistic of hourly wage. Australia responded that they did not have business survey sources for hours worked, but tried to reconcile LFS and business survey on employment, with some success regarding shares of employment per industry (but less success in terms of changes). Comparisons will continue, but he thinks that, at the end they could choose to benchmark global employment on the LFS, with the breakdown by industry based on the business surveys. However, there is a problem with the job/person issue (LFS is in "person", business surveys in "jobs").

Item 14: Survey on resources and organization of national accounts departments (F. Lequiller, OECD)

François Lequiller presents a first version of the results of this unique survey prepared in collaboration with Hendrik Zorn (consultant). The paper was circulated as a room document, but, because of the sensitivity of this issue, has not been posted on the web site. The paper includes a tentative model explaining the wide differences between OECD countries regarding the resources assigned to national accounts department by the population of the country and some indicators of the complexity of the national accounts. The paper received considerable attention, generated compliments but also a consensual rejection of the model, considered much too simplistic. The chairman (C. Ligeti) introduced the discussion saying that when National Accounts staffs work also on the primary data, population is an important factor for explaining the number of staff. Otherwise this is not an important factor. Japan was very satisfied by the study and thinks that the survey should become public in the near future, after having been elaborated and modified according to comments of member countries. Germany said that this will give him a good argument for the next budget negotiation and would be interested by an updated version including US and UK. He also insisted that there is a problem with FTE as in the German national office, 31 hours correspond to a week full time equivalent, while in other countries it is more. So calculations should be done in hours and not in FTE. Italy said that the core table activities for Italy did not correspond to the reality. He was in favour of the publication of this article but without the model. He proposed also to include in the study the average age or the number of years of experience. For Australia, a comparison between the different parts of the core activities would be a good idea, as well as a study on the costs of SUT and input/output. Portugal regretted not to have answered to this study. France remarked their answer did not include correctly Banque de France's staff. He said also that this is a good illustration of problems of international comparisons in productivity figures. Netherlands recognised that they are staffed above average. He said that a question on who is taking care of estimations and processing data was missing in this survey. He added that there should be a question about the consistency work of data within the national accounts. Canada was slightly upset by the results and emphasized that they were not really comparable, as Canada was compiling forty years of data for input/output tables. She also said that they had difficulties completing some answers. USA remarked that the US organisation of statistics differs

from the other countries', therefore they had difficulties in answering questions. In particular they had problem to split time spend in national accounts and other subjects. He confirmed that the modelling part is interesting but not convincing and should not be published. Luxembourg agrees for the publication of their data. About the ratio resources/population, he mentioned that this should not apply to countries with a very small population. Norway was surprised to be overstaffed, and requested to modify its response because it was not exactly comparable with other countries. She would be interested to have results for input/output tables and labour force data. UN mentioned that they have done a survey on the impact of the implementation of the SNA93 and the best practice emerging. The chairman was not in favour of the publication of the study as it is, but he suggested continuing in this direction. François Lequiller concluded by proposing to write a second version of this paper, a synthetic version, limited to facts, and without modelisation. He will organise a second round of surveys for countries that requested some correction of their data. He will include late respondents. This paper will be sent to each head of national accounts and then included in the OLIS intranet accessible to partners of the OECD in Q1 2007.

Item 15: Experience in training in national accounts and in documentation for users (B. Moulton, USA)

Brent Moulton presented the US BEA's experience. Finland thanked for this very interesting presentation. She said that they provide also courses for their clients: every year for GDP, every two years for sectors accounts and regional accounts, plus some course on more specialised subjects, in particular in case of big revisions. They also provide courses on European national accounts. Their clients involved in these formations are the Ministry of Finance, the Bank of Finland, social partners and some journalists. They also propose the same courses to StatFin employees. Some courses are also available on the Web, including in English. This represents an excellent advertising and brings good public relation. Australia mentioned that they had similar problems to train their staff. ABS national accounts have to make a lot of effort in training their staff in order to avoid that they leave. They train them first on basic concepts and then on more advanced concepts. He proposed to share the pedagogical documents and power points. He was also concerned about the problem of maintaining updated sources and methods. He also said that it is important that training is done on a voluntary basis. New Zealand shared its recent experience of training problems: because they moved on a new town, they had to train a lot of new staffs. They organised a co-operation with ABS as well as staff exchanges between ABS and Stat NZL. They will be interested if other countries have experience in rotation between organisations. François Lequiller presented his ideas about metadata improvement, taking example of the last common Eurostat/OECD surveys and the importance of making summaries of these surveys available on Internet to a large number of users. The Netherlands said that inside the European Union they have a good experience of international co-operation. About the staff training, he said that they have 2 weeks training for new national accountants plus some specific courses of about a week. He was ready to share his documentations and training material. Canada was interested by the summaries of sources and methods but insisted that one needs more detailed documentation. She also explained that, in the interest of sharing, documents of national accounts seminars are going to be available, in English and in French, on StatCAN's web site. UN mentioned the existence of the ISNA database which exists from 1950 for 120 countries and which contains metadata and summaries by country. He wondered what format should be used for the metadata. Brent Moulton thanked the participants for the discussion. He mentioned that he was not in favour of too many rotations of staff as this may lower knowledge and expertise.

Item 16: The OECD national accounts manual for students (F. Lequiller, OECD)

François Lequiller presented the new manual published by OECD "Understanding National Accounts" (now available on the OECD web site). Delegates were offered an extract of three chapters of the manual. Delegates will benefit from discounted prices. Japan thanked for this presentation and said that this was very good guide for them to promote the educational approach.

The chair moves to François Lequiller, OECD

Item 17: The situation of annual NA data and metadata transmission to the OECD and NAWWE progress report (C. La Rosa, OECD). Item 18: The situation of quarterly NA data transmission to the OECD (R. Dkhissi, OECD)

Catherine La Rosa and Rachida Dkhissi present the respective situation of annual and quarterly OECD national accounts databases. Chantal Nicq (OECD/ECO) presents the conclusions of the task force on COFOG2. Eurostat insists that data transmission to Eurostat should not be done through E-mail but through Stadium or Edamis. He also mentioned that there is a better co-operation between the OECD and Eurostat which now put each other systematically in copy of their Emails. Australia said that they have the necessary details to fill in COFOG 2 but their users have not yet ask for it. They would be interested by a conversion between products and functions. Poland mentioned that a mission from Eurostat will examine some of the problems mentioned. She said that table 2000 will be transmitted in December 2007 and that table 2600 has already been transmitted. Switzerland agreed that they have still some tables that are not transmitted, in particular they have problems dealing with activity tables. Nevertheless their capital stocks and new employment data should be available just after this meeting. He also announced that Switzerland will allocate FISIM in 2007 in the annual national accounts and in beginning of 2008 in the quarterly national accounts. Germany was concerned with double work between the OECD and Eurostat. He would like to avoid double questions. About COFOG 2 data he insisted in the fact that this was done on a voluntary basis and wished that it remains voluntary. The chair insisted in the excellent coordination with Eurostat: the automatic transmission of data from Eurostat to the OECD and cooperation at the validation level with the mutual copy of E-mails to member countries. He also mentioned that there is a big demand of the government expenditure data. Chantal Nicq responded to Australia that there were no conversion table available between products and functions for COFOG2.

Item 19: OECD.STAT: the new dissemination policy of the OECD (Lars Thygesen, OECD)

Germany finds the table on most requested national accounts data very interesting and asks if more detailed information for all type of statistics is available. Regarding the data management agency in the United Kingdom, the representative of Germany would like to know if confidential data is sent to them for processing or if it is a strictly commercial relation. Netherlands asks if the revenue of 4.5 millions euros covers total revenue from access to Internet and books, if it is possible to have information on the revenue generated only by the Internet access to data which was probably much less and if OECD is considering the possibility to give free access to all data on Internet as is the case of most statistical offices. L. Thygesen indicates that the most popular page on the OECD web site is the "Country Profile" page and that national accounts is high up on the list of requested data. Regarding the company in England, it is a publishing house with a business arrangement with the OECD and they receive only publishable data and no confidential information at all. Regarding the revenues generated by Internet and by books, it is impossible to separate them because most subscriptions are for total coverage for Internet and books. It would be, for example, 500 Euros per year for a university, it can be less if the university is poor. Finally, L. Thygesen explains that many at OECD think that total free access to data on Internet would be a good thing but there is no consensus and, so far, Member countries in the Council have not given approval to total free access because they feel that it would take away some of the revenue generated by Internet. It is a point he would like to discuss in the Task Force on OECD data dissemination he hopes to set up, because the experience in some countries shows that one can give data freely and, at the same time, sell some other format of the data.

Item 20: The QNA revision database (Charles Aspden, OECD)

C. Aspden presents a paper on revisions of quarterly GDP. This is an update by Elena Tosetto (University of Padova, Italy) of a study presented last year. The USA indicates that this type of analysis has been made for many years in the U.S. and welcomes the results for the OECD countries. He finds that conceptual revisions sometimes interfere with the results and, as indicated by C. Aspden, can make believe that the revisions are biased which they are in a way because changes such as introduction of chain linking and of software as capital formation do have a systematic effect. Countries should have this problem in mind and if people have ideas on how to extract the effect of conceptual changes from the results it would certainly make the results more useful. Another comment is that measures such as mean absolute revision for example are not really intuitive. US has tried to ask more direct questions such as “does the direction of GDP growth changes”? “Are we able to capture the acceleration or deceleration of the economy”? Focusing on these aspects of the data gives a better idea whether the accounts pick up the information critical for policy makers. The US revisions studies are available on the web site and are part of the Survey of Current Business publication. Denmark congratulates the OECD for a very useful work and hopes that the study will continue. He indicates that, in Denmark, this work has been done for a number of years and he welcomes comparable information about the other countries even if the results show that Denmark has still important revisions. The work done in Denmark has also helped find out some errors particularly in the balance of payments data. The practice is to cover the last five years in order to see if there is progress made in the recent years. Denmark asks if it would be possible to calculate an OECD average. Lastly, he points out that it is true that methodological revisions are indeed a problem but may be not as important as it seems because not all revisions interfere with the growth rate. Canada thanks the OECD for publishing this work and indicates that although some similar studies have been made and published in Canada, no revisions database has been made public. Therefore, when some users asked questions about the data, they could be referred to the OECD database. For information, Canada will send some links to papers prepared for a conference where macro-economic forecasters and statistical mathematicians will present studies and models made on the effect of revisions on policy decisions. C. Aspden points out that US comment on whether the picture given by the study gives an accurate picture of the changes in the economy to policy makers is a very important question. He also remarks that there should not be confusion between accuracy and reliability. Data which are not revised very much are not necessary accurate and conversely, something revised quite a bit may mean that the estimate will be more accurate but does not mean that the initial estimate was not accurate. Countries can compile alternative results by directly using the revisions database. The chair indicates that the study over five years was in fact done last year but was not included in this paper. He remarks that although C. Aspden used the term “bias”, the OECD tries to avoid the term in the paper because it is a too strong word and also because methodological changes in national accounts generally tend to slightly increase GDP. The OECD will continue the work on the revisions database. The database covers now not only national accounts but also economic indicators from the Main Economic Indicators database and is available to countries on the OECD web site.

Item 21: Calculation of contributions to growth (Charles Aspden, OECD)

The chair stresses the importance of reporting contributions to growth to OECD and explains that the OECD Economics Department needs these data in order to publish contributions to growth of changes in inventories and of net exports in one of the main tables of the *Economic Outlook* publication. Netherlands wants to address a more fundamental problem regarding the use of contributions to growth in economic analysis. He thinks that contributions to growth can be quite misleading if they are not adjusted for imports and this is particularly true for small open economies. For example, in the Netherlands, it matters to know if final consumption growth comes from durables such as cars which are practically 100% imported or whether it comes from services which are domestically produced. The same is true for changes in inventories: if the increase comes from oil which is imported then changes cannot be analysed

as contribution to growth, conversely if it comes from products of the domestic industry, then it does relate to economic growth. One needs an input-output kind of analysis to make such a distinction but it would be the right solution to a real problem, otherwise the data can be quite misleading. Finland would like to make a correction to Table 3, column "Publish inventory volume levels": volume levels are unfortunately not published but there are plans to publish them. New-Zealand thanks the OECD for dealing with this very complex topic. He explains that in New-Zealand, inventories are really significant because in a mostly agricultural and still a small economy, the inventory change can often be the main driver on what is going on in the economy. A lot of time is spend trying to measure correctly this particularly difficult item and this could explain the high revisions rate observed in the previous paper. He apologises for not responding to the questionnaire and gives some answers to it. He indicates that most of what is indicated as good practice corresponds to how it is done in New-Zealand. However, one problem should be raised: he cannot answer the question "Contributions sum to GDP growth rates?" in Table 2, because New Zealand directly seasonally adjusts its total GDP because a residual seasonal movement can be found in the calculated total. Consequently there is a balancing item which comes in. He wonders if New-Zealand is the only country directly seasonally adjusting the total and if every body else apply the indirect method. Australia indicates that they use appropriate methodologies for calculating changes in inventories. There are however some practical issues regarding benchmarking of quarterly inventories on annual collection of inventories from another source, in which they find some different story at times. Although annual contribution to growth is far less than the quarterly contributions it brings some balancing and benchmarking issues. One of these relates to the interpretation of the implicit price deflator for inventories. Australia indicates that over the last two years, a number of mails were exchanged with Erwin Diewert, (a Canadian expert in index number theory) who seems to think that what Australia does regarding deflating inventories in national accounts is incorrect. Australia thinks that what they do is fine but it does depend on how one interprets holding gains and how one would want to interpret an implicit price deflator with respect to inventories. Most of it can be seen as an issue on how one views aggregation but in light of the discussion and with regards to the work done by C. Aspden and given his expertise, Australia would like to ask the OECD to produce a short note on best practice from a theoretical and a practical point of view, both for annual and quarterly data and also on the issue of interpretation of implicit price deflators. Poland indicates that they only publish changes in inventories; therefore, in Table 3 of the document, it should be Yes in the first column and No in columns two and three. Canada says that when they converted to Fisher indices, it took three weeks to do final demand and about a year to do inventories! They had to use very detailed stock levels and a lot of information regarding different industries accounting practices in order to obtain results which made sense. The other issue with chain indices, even with very detailed information and best efforts, was that for some type of inventories, particularly for agriculture, they ended up with a drift in the Fisher index and it was needed to correct that. She adds that it seems that chain-linked indices work better for some things than for others and it could be an interesting discussion for next year because Erwin Diewert keeps on telling her too how it should be ideally but sometimes it does not work that well in practice. Czech Republic agrees with the comments of the Netherlands. He gives the example of the Czech airline buying an airplane with produces a negative balance of external trade and a positive gross fixed capital formation. Such results can be misleading if imports are not extracted. The USA agrees with what several of the people said, he is very sympathetic with the difficulties described by Netherlands and, like Canada, the USA had great difficulties with the inventories when starting applying the chain Fisher formulae. In terms of the implicit price deflators, they are published only for the inventories levels because for changes in inventories, one obtains numbers impossible to interpret. The USA seconds the idea put forward by Canada of a future session on changes of inventories. The chair indicates that regarding the relevance of contributions to growth, there is a discussion in the Working Party One of the OECD, composed of economists, where the Netherlands presented a paper but that meanwhile, the current practice of OECD continues and he asks the participants to continue sending contributions to growth to the OECD. Regarding the discussion on methodologies, he mentions that in the extract of the manual Understanding National Accounts (see Item 16), there is, in chapter two, a discussion on contributions to growth and the calculation of contributions to growth of chain

volume estimates. C. Aspden indicates that the point about excluding imports from the calculation of contributions to growth is a valid one particularly when imports are large compared to GDP. Of course, it requires supply and use tables, but countries who do have these tables may wish to look at this issue. It will be a good supplementary set of data to have and both sets of results, one excluding imports and one including them, are worth having. Regarding implicit price deflators for inventories, he points out that, as said before, indexes are not really defined for changes in inventories. Regarding drift in chain linked estimates. Canada might be more vulnerable to it because of the quarterly rebasing and might have a higher degree of irregularity in the quarterly data than in the annual data which might be a factor in causing a drift. It is certainly worth looking at. He confirms that this issue of calculation of volume changes in inventories will be discussed in the 2007 WPNA.

The chair returns to Brent Moulton, chair of the WPNA.

Item 22: Australia's ICT satellite account (Carl Obst, Australia)

Carl Obst presents the results of the Australian ABS's satellite account for ICT. The chair congratulates the ABS for these interesting results.

Item 23: The new Chinese National Accounts (Hong Zhao, NBS, China)

The representative from the Chinese NBS, Hong Zhao, explains the recent new estimates of GDP in China and the ambitious work program of the NBS to improve Chinese national accounts. Before opening the floor, the chair stresses the importance of Chinese statistics, and adds that he understands the difficulties of compiling national accounts in a so dynamic country as he experienced similar problems of revisions for dynamic industries in the US. The OECD secretariat asks about the quality of the business register. Australia asks whether the estimate for software includes own-account software. Netherlands and France are both impressed by the work done and ask about the difference in the three approaches of GDP, the method to compile historical time-series, and the number of staff for the economic census. China answers that the method to compile historical time series is similar to the one used in the USA, that the number of staff working on national accounts in China is 30 (which is different from the staffing on the economic census itself), that, indeed, the business register is a weak point in Chinese statistics, that the income and production approaches are made fully consistent but not the production and expenditure approaches, and finally, regarding software, that the survey only asks a general question on expenditures in software and does not go in the detail of own account software.

Item 24: Closing session: future work program. (Brent Moulton, chair of WPNA)

The chair of the WPNA described the main features of the work program of the OECD National Accounts Division (NAFS) in the preparation of the 2007 WPNA. The division will first participate closely in the reviewing of the draft chapters of the new SNA, in time for the fifth meeting of the AEG, which is the advisory committee of the SNA review (March 2007). The intention of the division is also to contribute to the publication of three handbooks: (1) a handbook on the measure of non market output for education and health, (2) a handbook on measuring intellectual property (in particular R&D and software), (3) a new version of the OECD Capital Stock Manual. Regarding data collection and re-dissemination, the new Eurostat/OECD questionnaire will be implemented, and collection of data extended to some large emerging countries, in particular China. Promotion of access to the OECD international databases through OECD.STAT will continue.

A first tentative agenda for the 2007 WPNA could consist in: (1) discussion of final SNA chapters; (2) practical implementation of R&D and other intangibles capitalisation; (3) non market service measurement; (4) organisation of national accounts and experiences in training; (5) share of experience in

methods for balancing national accounts; (6) pension satellite account and supplementary standard table; (7) calculation of changes in inventories; (8) information on China, India, Brasil, South Africa, Russia. Australia proposes two other topics: (1) methods of estimation of non financial assets in the balance sheets; (2) quarterly/annual benchmarking.² In any case, a draft agenda will be circulated around March 2007 to the bureau and then to the delegates, and there will be time for new ideas. The chair announces the end of François Lequiller's contract with the OECD in June 2007. It is therefore his last WPNA meeting as representative of the OECD secretariat. The chair, and the WPNA, congratulates him for his six years of service as facilitator of the OECD network of national accountants and the leading role of OECD in the SNA review. The chair then closes the meeting with thanks to the organisers, contributors and participants.

² However, OECD secretariat notes that there has been recently at least one large conference on this second topic, organised jointly with Eurostat. Thus this could appear as redundant.