Working Party on National Accounts

Task Force on non-financial assets: state of play and future plans

Common day

To be held on 3 October 2012
OECD Conference Centre
Beginning at 9:00 a.m. on the first day

This document has been prepared by Silke Stapel (EUROSTAT) and will be presented under item 11 of the draft agenda

JT03326258

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TASK FORCE ON NON-FINANCIAL ASSETS: STATE OF PLAY AND FUTURE PLANS

1. Introduction

As a follow-up of the conclusions from the Council Working Party on Statistics (CWPS) and the November 2011 NAWG meeting, in the April 2012 meeting of the National Accounts Working Group it was decided to establish a Task Force on Land and other non-financial assets. In this April meeting the NAWG supported the general content of draft mandate of the TF and agreed that the TF would discuss this mandate and the priorities more precisely in its first meeting.

Both Eurostat and the OECD consider the production of estimations for non-financial assets (and in particular Land) as a high priority and therefore it was also decided to bundle the resources and to create a joint Eurostat-OECD TF. Apart from the Eurostat and OECD representatives, the TF counts 22 members: 13 EU Member States, 8 (other) OECD countries and the European Central Bank. The TF is chaired by Eurostat and OECD. In principle the TF will meet twice a year. In addition there will be electronic and email discussions.

In this document the current state of play of the TF work as well as the future plans will be addressed. More precisely, in paragraph 2 the main results of the first TF meeting on 9th and 10th of July are described. In paragraph 3 the (provisional) structure of the 'compilation guide on land', which will be the main output of the TF, is shortly discussed; the annex to this document lists the provisional chapters and content of this compilation guide. Paragraph 4 proposes a rough time schedule for the TF work in the coming two years.

2. Outcomes from the first TF meeting 9-10 July 2012

The first TF meeting took place on 9-10 July in Luxembourg. In this meeting the mandate was discussed: views were exchanged about the scope, output and organisation of the TF work. Eurostat, OECD and ECB as well as ISTAT (Italy), DESTATIS (Germany) and Bank of Korea contributed to the first meeting with presentations that were of interest for the work of the TF.

The main conclusions of the first meeting are summarised below.

Scope: the TF considered the estimations for land (AN.211, in relationship with AN.111/112) for total economy and institutional sectors, broken down into components as its first priority. Other topics that probably can be addressed by the TF are the availability of service lifes for particular assets, estimations of balance sheet positions for monuments (part of AN.111/112 and estimations of inventories (AN.12 total economy and institutional sectors).

Output: the TF was of the opinion that the result should be more than just a set of papers. The TF aims to provide systematic and practical information that will facilitate its users to compile the required data, especially with respect to Land. Therefore it was agreed that the output should be a compilation guide on land estimation which describes sources and methods and provides practical guidance including numerical country examples.
Organisation: The TF decided to work in subgroups. Each subgroup is expected to address a certain topic. The following areas of work and involved participants were agreed:

a. Draft outline of compilation guide, compilation of questionnaire on data sources: Eurostat, OECD, ECB

b. (Sub)classification of land: DE, AT, MX, NL, ES

c. Preparation of questionnaire on service lives: US, KR, NL, CZ

d. Separation of land/structures: DK, IT, CN, SI

The work on the above mentioned subjects has already started immediately after the first TF meeting. Each subgroup will review the existing documentation and literature and summarize the main findings and propose titles for a ‘non-financial assets library’ to be established in Circa. For the next TF meeting each group will have prepared a note/draft questionnaire that will be discussed in that meeting. Papers will be available at least two weeks before the TF meetings.

A more complete list of issues to be studied and any further subgroups to be established will be drawn up later.

Availability of documents: Eurostat will create a Circa folder (including subfolders for the working groups) and will give access to all TF members and other countries who expressed an interest.

3. Questionnaire and provisional structure of the compilation guide

As mentioned in the previous section, the institutions (Eurostat, OECD, ECB) agreed to work on a proposal concerning the structure of the compilation guide and the development of a questionnaire on the available data sources and methods for the compilation of land. With respect to the latter: towards the end of 2011 the OECD had already conducted a questionnaire on land. As this questionnaire was rather detailed and the results are still valid, the institutions concluded that the results could very well serve as input for the chapter in the compilation guide on available sources. Therefore the institutions did not consider it necessary to develop a new questionnaire at this stage. Instead, the (few) non-respondents of the December 2011 OECD questionnaire will be contacted again and be requested to complete the questionnaire.

Concerning the proposal on the structure of the compilation guide: as the estimation of land is considered as the first priority of the TF, it was proposed to focus the compilation guide on land (and structures) and closely related issues. Other topics, like inventories, intellectual property products, etc. can be dealt with in separate notes and most probably at a later point in time.

A (provisional) proposal for the contents of the compilation guide on land estimates is still under discussion in the TF. The proposal is annexed to this note.
4. **Time schedule for work of TF non-financial assets**

The table below presents a rough time schedule of the TF work in the coming two years.

<table>
<thead>
<tr>
<th>When</th>
<th>What</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2012 (1st TF meeting)</td>
<td>Preliminary decisions on mandate (scope, organisation, output of TF)</td>
</tr>
<tr>
<td></td>
<td>Establishment of 4 subgroups</td>
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<tr>
<td>December 2012 (2nd TF meeting)</td>
<td>Proposals of 4 subgroups concerning the content of their studies</td>
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<tr>
<td></td>
<td>Decision on content compilation guide</td>
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<tr>
<td></td>
<td>Establishment of additional subgroups</td>
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<tr>
<td>July 2013 (3rd TF meeting)</td>
<td>First drafts (made by subgroups) of all chapters/subjects addressed in compilation guide</td>
</tr>
<tr>
<td>December 2013 (4th TF meeting)</td>
<td>Revised drafts (made by subgroups) of all chapters/subjects addressed in compilation guide</td>
</tr>
<tr>
<td>July 2014 (5th TF meeting)</td>
<td>Final drafts (made by subgroups) of all subjects addressed in compilation guide</td>
</tr>
<tr>
<td>October/November 2014</td>
<td>Discussion/approval of final draft compilation guide by National Accounts Working Groups of OECD and Eurostat</td>
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<tr>
<td></td>
<td>Discussion/decision about possible continuation of TF work for other financial assets</td>
</tr>
<tr>
<td>December 2014 (6th TF meeting)</td>
<td>Content and editorial work compilation guide finalised</td>
</tr>
<tr>
<td>2015?</td>
<td>Continuation of TF work for other non-financial assets?</td>
</tr>
</tbody>
</table>

5. **Requests to National Accounts Working Group**

The members of the National Accounts Working Group are requested:

a. to take note of the current state of play of the work done by the TF on non-financial assets;

b. to comment on the proposed scope, output and organisation of the TF and the TF work;

c. to comment on the provisional structure of the compilation guide and the proposed time schedule.
ANNEX: THE MEASUREMENT AND USE OF ESTIMATES FOR LAND AND STRUCTURES
(Editor: OECD)

Preface

Acknowledgements
- e.g. participants in taskforce, specific contributions

Executive summary

Chapter 1. Why do we need this manual? (responsibility: OECD)
1.1 Measuring capital
- general overview of how capital this fits into wide NA framework
- link to other work and manuals (e.g. capital manual)
1.2 Measurement of non-financial assets
- overview list of main issues
- cover broad wider issues and include a small discussion on each
- list issues not covered by this manual
1.3 The importance of land
- explain why we are focusing on land

Chapter 2. Concepts and definitions in the accounting framework (responsibility: Eurostat)
- link to the formal framework in international manuals e.g. SNA and ESA
- practical link to demonstrate where these are used in the accounts
2.1 Concepts and definitions
- general discussion about relevant parts: asset types, sectorisation
2.2 Use of Land estimates in the Balance Sheet
2.3 Use of Land estimates in Gross Fixed Capital Formation

Chapter 3. Classification of land (responsibility: Group 1)
- current country practices
- how to classify land and relation to the SEEA.
- Sections based on the agreed classification. E.g. Residential, Commercial, Rural and Other Land, (or something else…)

Chapter 4. Data sources (responsibility: OECD)
4.1 Types of collections
- e.g. survey, administrative, census
4.2 Price information
- e.g. residential property prices

Chapter 5. Methods used to estimate value and stock of land
5.1 Directly estimating the value of land (responsibility: to be determined)
- e.g. unit area x unit price
5.2 Indirectly estimating the value of land (responsibility: Group 3)
- e.g. PIM, Land-to-structure ratio, …
5.2.1 Service lifes (responsibility: Group 2)
- Produced land
- Dwellings and structures
- Roads

5.3. Estimating the stock of land (responsibility: to be determined)

Chapter 6. Issues in estimation for land (responsibility: to be determined)
6.1 Separation of land and structures
6.2. Estimating land improvements
6.3. Treatment of government owned land
6.4. Value, price and volume changes
6.5. Sectorisation and cross classification

Chapter 7. Issues in estimation for special situations (responsibility: to be determined)
7.1 Capturing housing bubbles (responsibility ECB)
7.2 Valuation of historical monuments
7.3 Imputed rent (responsibility: Eurostat)
7.4 Dwellings as storage of wealth, source of income, etc.

Chapter 8. Country case studies for land (responsibility: to be determined)
- detailed case study for a few (3?) selected countries on their processes from start to finish
  - .g. includes data examples and follow a specific format.

<table>
<thead>
<tr>
<th>Country</th>
<th>&lt;name&gt;</th>
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</thead>
</table>
| Data sources | <description of data sources used to compile land estimates>  
1. <list>  
2. ... |
| Methods | <general description> |
| Step-by-step calculations | <numerical example with each step> |
| Outputs | <numerical summary of main outputs, e.g. total, breakdown by sector, estimates used in accounts> |

References

Appendices

A: Examples of actual sample survey questionnaires from countries that collect this data directly

B: Examples of cadastral information set-ups

C: OECD / Eurostat questionnaires used for information on country experiences