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QUESTIONNAIRE ON PUBLIC UNITS IN NATIONAL ACCOUNTS

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WORKING PARTY ON NATIONAL ACCOUNTS

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Summary of replies

1. **21** countries have responded on 26 September 2005: Australia, Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Italy, Japan, Korea, Netherlands, New Zealand, Norway, Portugal, Slovak Republic, Sweden, Switzerland, United Kingdom, United States of America.

I. Accounting for Public Corporations versus Private corporations in NA

- *Questions 1 and 2*: *Are corporations systematically classified as public or private? Please explain:* Yes: 12 – No: 9. In the process of compiling the sector accounts, **twelve** countries classify systematically corporations as public or private (Australia, Belgium, Czech Republic, Denmark, Greece, Japan, New Zealand, Norway, Slovakia, Sweden, UK and USA). Norway and Sweden classify corporations as public when the government owns more than 50% of the corporations. Denmark uses the same criterion and adds a check on control. Japan quotes the SNA §4.72. Ownership of the company is mentioned in the official registration (Slovakia…). Australia (ABS) refers to a Standard Institutional sector Classification of Australia (SISCA). In the UK, the classification criteria are agreed between the ONS and the Treasury.

- *Question 3*: *Is there a public-private criterion within a survey on all corporations?* Yes: 4 – No: 17. Only New Zealand, Norway, Slovakia and Sweden state including the public / private criterion in the survey on corporations. Source: the legal registers in the country (example: the “register of ownership of the shares in general joint stock companies” in Norway). The method is considered efficient in most cases by the **four** countries.

- *Question 4*: *Is there a pre-existing inventory of public corporations?* Yes: 17 – No: 4. Most countries (**17** out of **21**) hold an inventory of public corporations, most of the time updated by the national statistical institute (**14**). In Greece, Japan and Korea the inventory is updated in the ministry of Finance. **Thirteen** countries (out of **17**) really use this inventory in the process of compiling national accounts.

- *Question 5*: *Does the country use a specific economic survey on public corporations?* Yes: 4 – No: 17. Only **4** countries (Australia, Denmark, Germany, UK) state managing a specific survey on public corporations for the national accounts.

- *Question 6*: *How many public corporations exist in your country in 2004?* The number of public corporations was not provided by Germany, Italy and Switzerland. **18** responses: Australia: 260, Belgium: “a few hundreds”, Czech Republic: 880 non-financial and 8 financial corp., Denmark: 400 to 500, Austria: 200, Finland: 1600+600 quasi-corporations, France: 1500, Greece: 30, Japan: 185, Korea: 70, Netherlands: 40 financial corp. and hundreds of non-financial corp., New Zealand: 382, Norway: 2200, Portugal: 880, Slovakia: 800, Sweden: 52 (owned by the central govt) + 1315 (owned by the local govt), UK: 135, USA: 15 at federal level + thousands of state enterprises.

Comment: In their reply on the number of public corporations, some countries have included the number of quasi-corporations, some – Austria, Denmark, UK - have not (suggesting that quasi-corporations are very different in nature, and maybe never at national level in these countries?...). The public sector appears to be larger in European countries than in other countries of the OECD area.

- *Question 7*: *Do you compile a specific sub-sector "Public corporations" as planned in the SNA?*
  Yes: 8 – No: 13. Eight countries compile a sub-sector of S.11 and S.12 for public corporations (as planned in the SNA): Australia, Denmark, Japan, New Zealand, Norway, Slovakia, as well as Czech Republic and UK (but only for S.11). The public share for a limited number of transactions is estimated in the Netherlands by the CBS.

Comment: not all countries do this compilation (especially in the European Union), whilst there is a significant demand of information on the public sector. The compilation of public sector accounts should be recommended more strongly.

II. Borderline between Public quasi-corporations and market producers in the general government

- *Question 8*: *Do you treat some public units as quasi-corporations in your national accounts?*
  Yes: 15 – No: 6. A majority of countries in the survey have quasi-corporations in their national accounts. Only six countries have none: Czech Republic, France, Greece, Italy, Slovakia and Switzerland.

Comment: The large majority of quasi-corporations are identified at the regional or local government level (transportation, port and harbours, hospitals, waste and water supplying, etc.). However, Finland, Japan, Norway, Portugal, Sweden and USA quote a very limited number of units at national level. New Zealand says that they progressively have been all incorporated now (big electricity and gas utilities for example).

- *Question 9*: *On which major criteria?*
  "They act like corporations" (DK, NL, GER). Most countries mention the proximity of these units with the government (sometimes the units are legally part of the government. (Cf. Australia, Norway, USA etc.), together with their market nature (ESP and 50% criterion,). Necessary conditions are also that they have sufficient autonomy of decision and, sufficient set of accounts. In the USA, for state and local government units, some "selected functions are classified as quasi-corporations" (expenditure and receipts by function).

- *Question 10*: *Number of public quasi-corporations*:
  1 non-response (Germany), Belgium mentions: "unknown". 13 responses: Denmark: 1000, Austria: several thousands, Finland: 600, Japan: 43, Korea: 5, Netherlands: 60, New Zealand: 0 now, Norway 110, Portugal: 80, Sweden: 4, USA: 15 (at federal level) + thousands (local). Australia quotes a very small number, included in the number of public corporations (see question 6). UK mentions thousands (at local level)

- *Question 11*: *Recording investment grants (D.42) and other capital transfers D.99 to quasi-corporations*
  - always as financial transactions (F.5): 1 (Germany)
  - always as non-financial transactions (D.9): 2 ((Portugal, USA)
  - it depends of the context (often a majority as F.5, a minority as D.9): 12

Comment: the large disparity of number - and of treatment - of quasi-corporations between countries may suggest that this notion is not sufficiently clear. It should be clarified in the updated SNA.

- *Question 12*: *Are there market producers classified in the government sector?*
  Yes: 12 – No: 9 (Czech Republic, Denmark, Greece, Italy, Japan, Korea, Netherlands, Slovakia, UK). These market producers are usually market local government units (local KAUs), that do not qualify for being autonomous institutional units. Sweden states that they usually have a production for own final use.

- *Question 13*: *On which major criteria?*
  The most quoted criterion is: "no full set of accounts" (Australia, Austria, France, Norway, Germany, Sweden). Also: "limited degree of freedom" (for investment and borrowing), "not in competition with the private sector" (Belgium), "serve only - or mainly - the government sector" (Finland). In the USA, the market / non-market distinction refers to functions, and in particular "state and local enterprises are classified based on their function".

III. Classification criteria and methods

- *Question 14: ESP criterion applied to individual units or to groups of units*:
  Individual: 13 – Group: 4 (Austria, France, Netherlands, USA) – It depends of the size and importance of units + central vs local criterion (ex: local KAUs in groups): 4 (Finland, Germany, New Zealand, Norway + also USA)

- *Question 15: More systematic - and individual - ESP method for public corporations*: Yes: **10** – No: **10**

- *Question 16: do you use the ESA "50% rule" as* :
  - a systematic criterion: 11 (Austria, Belgium, Finland; France, Germany, Italy, Korea, Portugal, Slovakia, Sweden, UK)
  - an important criterion: 4 (Denmark, Greece, Norway, Switzerland)
  - a test among others: 3 (Czech Republic, Australia, Netherlands)
  - New Zealand: "50% rule is not used". In the USA, the 50% rule is not applied and the market / non-market classification criteria are about to be revised. No response from Japan.

Comment: Only **five** countries refer to this threshold as "a test among others", or do not refer to it. Most countries in the OECD area find it at least an important criterion. This cannot be ignored in the updated SNA.

- *Question 17: Handling variations around the 50% threshold*:
  Most countries make the assessment over a range of years ("as long as possible"), and state not changing the classification of the unit if the 50% minimum threshold is not reached during 1 or 2 years. Portugal quotes a trend of 3 years as a signal for changing, Belgium a middle term period. The Netherlands, "for groups of units close to 50%", considers the type of activity, and the control and financing by the government. Norway quotes a "major change in the legal organisation of the unit" and a major revision of the national accounts as a context to change classification.

- *Question 18: Existence of cases of units with multiple activities (market and non-market):*
  Yes: **17** – No: **4** (Austria, France, Greece, Korea)

- *Question 19: partitioning the unit as a solution:*
  (France, Japan, Netherlands, Portugal, Sweden) Yes: 5 – No: 12. “Not relevant” for UK. New Zealand and France may partition in certain cases. France states preferring the rerouting to government of transactions made by market units on behalf of the government.

IV. Breakdown of “sales” of the government and quantification

- *Question 20 to 27: summary*

  - Market output (P.11) = 0 3: Australia, Japan, Korea (all sales are as P.131. No market producers within S.13 in Japan and Korea, number said insignificant in Australia)
  - Payments for non-market output (P.131) = 04: Denmark, Netherlands, New Zealand, Switzerland (all sales as P.11)
  - Incidental sales (of non-market producers) = 0 7 Austria, Germany, Norway, Sweden, Switzerland, UK; USA (no split of P.11). Information for Denmark not available

Comment: Only Belgium and Portugal have provided figures for the 6 columns. Some concepts seem to be not clear - or not commonly understood: Payments for non-market output, incidental sales of non-market producers…Should this be clarified in the SNA? Is there a case for simplifying?

Summary of conclusions and questions

1) Classification of units as public or private / inventories of public corporations: information provided seems to give a major importance to the criterion of 50% ownership of the government. Does this fit with the TFHPSA present recommendations on delineation issues?

2) A significant majority of countries refer in practice to the “50% rule” as an important criterion when implementing “economically significant prices” for the market / non market delineation. Same question.

3) A majority of responding countries do not compile sub-sector accounts for public corporations (non-financial and financial). Shouldn’t the compilation of national accounts for these sub-sectors and for the public sector be more strongly recommended?

4) The borderline between public quasi-corporations and public market producers classified inside the government sector (in particular at the regional or local level) is not easy to clarify: it relies on the notion - and criteria - of institutional units.

Public quasi-corporations: the large disparity among countries - in the number of units and in the statistical treatment – suggests different interpretations of the SNA on this issue. Shouldn’t this be clarified in the updated SNA?

This also raises questions about the impact on government finance data of these classification problems and the best way to “neutralise” this impact (through consolidation of government accounts or public sector accounts? the reinvested earnings approach as a solution)

The market output of government in table 200 (Main aggregates of the general government)

Year 2002 (in national currency)	Market output and output for own final use (P.11+ P.12)	Output for own final use (P.12)	Market output (P.11)	of which:		Payments for non-market output (P.131)
				Output of market producers	Incidental sales (at ESP) of non-market producers	
Australia	**0**					**25 538**
Austria	**2 129**	**30**	**2 099**			**2 420**
Belgium	**1 969**	**200**	**1 769**	**38**	**1 731**	**1 665**
Canada	35 389					
Czech Republic	**19 404**	**474**	**18 930**		**18 930**	**47 365**
Denmark	**43 615**					**0**
Finland	**5 124**					**1 639**
France	**48 584**					**6 851**
Germany	**13 610**	**690**	**12 920**	**12 920**		**27 030**
Greece	**1 364**					**703**
Hungary	29 217					447 500
Iceland						
Ireland	0					1 626
Italy	**12 578**	**229**	**12349**		**12 349**	**6 048**
Japan	**0**					**4 863,6**
Korea	**0**					**9 356,4**
Luxembourg	273					231
Mexico						
Netherlands	**15 683**	**1 250**	**14 435**			**0**
New Zealand	**4 398**	**0**	**4 398**	**898**	**3 500**	**0**
Norway	**11 449**					**39 089**
Poland	34 940,5					23 719,6
Portugal	**2 595**	**256**	**2 339**	**112**	**2 227**	**698**
Slovak Republic	**15 236**					**314**
Spain	6 882					1 651
Sweden	**77 512**	**18 101**	**59 411**			**26 668**
Switzerland	**15 243**	**0**	**15 243**			**0**
Turkey						
United Kingdom	**20 010**	**428**	**19 582**			**0**
United States	**138**	**22**	**115**			**272**