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National Accounts and Economic Statistics

MINUTES OF THE WORKING PARTY ON NATIONAL ACCOUNTS

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MINUTES OF THE WORKING PARTY ON NATIONAL ACCOUNTS, OCTOBER 12-15, 2004[1]

PARIS, 11 February 2005[2]

The chair (François Lequiller, OECD Secretariat) welcome delegates. It is the last year the meeting will be chaired by OECD Secretariat (see item 1). This year's meeting is dominated by issues linked to the revision of the SNA. Sessions on these issues are "for information" and shared with non OECD member countries of the UN-ECE region. A vice-chair (I. Tvarijonaviciute, 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 meeting.

Other sessions are pure OECD sessions. Among them some are "for decision" (items 1, 25, 26) and will be treated as such in the present minutes. However, as papers for items 1 and 25 have not been available one month before the meeting, the decision on those items will be taken by written consultation after the meeting.

Item 1. Establishment of the Working Party on National Accounts (WPNA)

The chair (F. Lequiller, OECD Secretariat) presents document STD/NAES(2004)8 which explains the proceedings for the creation of the WPNA, which has a formal status as a subsidiary committee of the OECD Committee on Statistics. In particular, the meetings will be chaired by a country delegate elected by the participants.

UN-ECE expresses concern that the new status would result, for this working party, in a less open format for non OECD member countries than previously, a fact which would be regrettable. Non OECD member countries appreciate the participation in this annual meeting.

UK queries about the list of domains that was included in the draft mandate: are they supposed to be limitative?

Autralia proposes that the mandate cover the exchange of "best practices".

Eurostat queries about the involvement of the WPNA in government finance issues.

1 These minutes do not summarise presentations as all papers and power point presentations are available on the OECD web site: http://www.oecd.org/document/31/0,2340,en_2649_34245_31722847_119808_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, Anders Nordin.

The Chair responds that (1) he will seek the easiest possible way to allow non OECD member countries to register as observers, (2) the list of domains of national accounts was not limitative, (3) the WPNA would have a specific interest in general government accounts, and (4) the exchange of best practice was welcome. He will propose changes in the draft mandate to accommodate for these clarifications. He announces that the mandate will be adopted by written consultation, together with the election of the Bureau, during this winter.

Item 2: Minutes of 2003 meeting

Eurostat reacts to the sentence in the minutes of the 2003 meeting which says that "there had been hardly any support for the dual recording" (i.e. of contributions and benefits, in the case of funded pension schemes). In the view of Eurostat, most European countries are in favour of such a dual recording.

Item 3. Progress report of SNA review by ISWGNA Chairman

C. Aspden (OECD, Secretariat) presents the history, management, and progress of the SNA review.

The Netherlands observes that the review seemed to become more and more ambitious – maybe too ambitious – and that there is only one year ahead. Considering the complicated issues that are reviewed (pension funds, life insurance), there is a risk not to achieve in 2005.

The UK supports NL and asked for the time table to be more realistic.

Representatives of IMF, ECB, as well as the moderator, insisted not to change the time table.

Eurostat recalled that it created 2 task forces to improve its involvement in the process. The objective is that the updated ESA text is ready at the same time as the SNA. But, as it will become a European regulation (Council and Parliament), it might not be available before 2010 and implemented in 2012.

C. Aspden concluded that all task forces should be close to achieving discussions for end April 2005. A supplementary AEG could be held in July 2005.

Item 4. Pension schemes (SNA review, not for decision in December)

There is no paper. A. Bloem (IMF) presents a power point presentation summarizing the proposals of the EDG.

The OECD Secretariat reports on the lessons from the OECD workshop (June 2004). The OECD workshop showed two groups of countries: one in favor of the change (in line with reforms and calculations already made in these countries), one strongly opposed. Two important questions remain open: (1) is it possible to separate cases of employers' schemes and social security schemes? (2) is it possible to introduce in the statistics doubtful estimates (arbitrary choice of discount rate)?

Canada confirms that Canada already applies most of the EDG recommendations. The government unfunded scheme (for its employees), is already recorded with a liability (increasing Canadian debt) and it is reliable data. Canada does not recognize liabilities for social security. Canada would go for a compromise: for countries for which there is a real difference between employer schemes and social security, the SNA would recognize liabilities, for the others it would not, despite international non comparability.

Regarding the allocation of net assets, based on legal terms, the surplus of the scheme is often allocated, in Canada, half to employer, half to employees.

The Netherlands expresses that his interpretation of the AEG opinion on the EDG recommendation is much less positive than the one presented here. However, he has much sympathy for the recognition of liabilities of unfunded schemes and supports the case to differentiate social security schemes and employers' scheme. Regarding the allocation of the net assets to sponsors, he would be prudent. All the implications of the proposal should be covered as a broad package. These problems are yet not solved.

Australia supports Canada (recognition of liabilities for government unfunded pension scheme). He reports on the Australian experience on both actuarial estimates (made yearly by government, reliable and verified by the ABS). He has not seen any problem with the differentiation between employer schemes and social security. Regarding allocation of net assets he thinks the issue is more complex that the simple solution recommended by the EDG (including the case of negative assets). This year, the Australian government paid off 7 billion dollars to decrease their unfunded pension debt. This was entirely recorded as financial transactions.

New Zealand is in the camp of countries where employer schemes and social assistance schemes are clearly distinguished. He opposes the extension of the recognition of liabilities to social assistance schemes.

Japan cites the case of a transfer between a funded scheme and an unfunded government scheme and explains that it introduced a major flaw in the accounts, with the disappearance of the corresponding households' assets. She therefore supports the recognition of liabilities for unfunded schemes.

Eurostat insists that this issue is the most important of the review process and asks for more discussions and delay. The presentation by the moderator of the AEG discussions is too "positive".

The ECB reports that it is not in favor of recording liabilities for unfunded pension schemes. The reason is that it is very difficult to distinguish between social security schemes and employers' schemes. Moreover, this would result in a lot of imputations in the system, and would not reflect the economic reality.

The OECD Secretariat insists that the recording of pension rights should not depend of different institutional arrangements. Social security has not the same meaning in different countries. Therefore he proposes to record liabilities for all retirement schemes without exception, at least for all pension systems that are based on contributions based on compensation.

Australia recognises that international comparability is difficult. The issue is not on the borderline between social security and employer scheme but on the nature of the obligation. Why not base the recognition on the notion of constructive obligation?

Denmark replies that the distinction is very clear in Denmark between social security and social assistance on one hand and government employees' scheme on the other hand. Civil servants have clear claims that they could defend in a court of justice. Therefore he supports the proposals of the EDG but would not support to extend liabilities a step further.

Eurostat recognises that business standards do not systematically allocate net assets to employers. Regarding the quality of data, the source data will be progressively available, and he does not think that it is a real issue. On the contrary, there is a true issue on the borderline between social security and employer scheme: what happens if an employer public scheme is changed in social security is an essential issue and should be clarified by the EDG. The IFAC PSC seems to go for not recognizing social security obligations.

Anne Harrison reminds that the issue of under-funded and over-funded private schemes should be dealt with and suggests that one can see social security (the pension part) as a multi-employer scheme organized by government.

USA reminds the audience that information about pensions was seen as the major issue by users in the review made by the BEA.

The IMF argues that the distinction between employers' scheme and social security should be maintained, and that an extension is not in the scope of the present SNA update. Different calculations could be made in a satellite account.

The chair concludes that the minutes will be sent to the EDG. The moderator appreciates the remarks made and agrees, among them, that the issue of the borderline between social security and employer scheme is an important one and will be conveyed to the (new) moderators of the EDG.

Item 5. Non-performing loans

The paper for decision to the ISWGNA/AEG was presented by A. Bloem (IMF). A questionnaire was sent in July 2004 by the moderator of the EDG (Russell Freeman, IMF) and obtained 37 answers. Four options were offered:

1. Leave SNA as it is
2. Keep nominal value, but with mandatory memorandum items on market value
3. Market value in creditor accounts, nominal value in debtor accounts
4. Market value for both creditor and debtor, but with mandatory memorandum items on nominal value and interest arrears.

Options 1 received very little support, showing that a change of the SNA seems necessary to nearly all.

Option 3 received very little support because it did not respect the principle of symmetry. Option 2 and 4 received significant support, with a small preference for Option 2. The paper implicitly proposes the AEG to choose option 2.

Austria underlined the necessity to contact ECB and BIS, as well as the banking community, on such an issue. Their opinion should be taken on board.

The Netherlands mentioned that it had voted for option 1. The delegate raised two questions: 1/ should we also record receivable / payable as what is proposed for loans? 2/ how do we collect information, banks being not very keen to disclose it?

Australia supported option 4, stating that they have enough information to estimate the fair value of loans, and accept applying this estimate to the debtors. He noted that there is no difference between option 2 and option 4 regarding the collection of data: both need to collect the value of loan impairments.

Canada did not select any of the options but would favour option 4. He expressed the need to define the term market value: if it is understood as nominal less accumulated provisions, then he would agree with this definition. Otherwise, asking to record loans at full market value would be difficult. He noted that all participants in the EDG accept to move from a legal basis of recording to an economical basis. The problems are with the symmetry (this is applying this impaired value to the debtor) especially for international loans. However, there can be simple presentational ways to resolve the problem while maintaining symmetry (adding a column in the financial accounts). In Canada, they have good information on loans and provisions from the lender side; they apply the net value for the lender and the debtor, in order to have a better value of net worth for both; however, the tables for international loans do not apply this rule for the debtors; so there is a “dual” approach of Option 4 in Canada. He finally expressed the view that the recognition of provisions for bad debt should be seen as the “accrual accounting of write-offs”.

Eurostat strongly supported Canada’s intervention on the definition of the “market equivalent value” included in Option 4 of the EDG Questionnaire. He expressed the view that the questionnaire’s presentation of Option 4 may have been misinterpreted and biased in the context of the “emotional debate” in the accounting world especially in Europe about the market valuation of loans. Eurostat recalled the July 2004 CMFB comment to an earlier IASB proposal of full fair market valuation of (some) loans. The CMFB, and Eurostat in present circumstances, does not support the full market valuation. However Eurostat could perhaps envisage recording the loan net of provisions. In this respect he noted that ESA95 recommends that write-downs are an other changes of volume—a point made in an ECB paper—, and noted that there could be an interpretation of this sentence opening the way to the immediate recognition of net values for loans, as well as for accounts of receivable / payable. He reminded the audience that the Eurostat Task Force on SNA Review (financial accounts and government finance statistics) had requested on September 21, 2004 from the EDG a delay in order to clarify several items of the discussion, particularly relevant for government finance, including the timing of the write-off, and the situation of restructuring agencies dealing with impaired loans. He also noted that the TFHPSA recommended that the SNA records taxes expected to be collected (as ESA 1995 already does), thus implying that the amount of taxes receivable would not be on a gross nominal basis, but net of the provisions for unpaid taxes. This issue is linked with the one on non performing loans, a point also made by BEA when discussing taxes.

Spain stated that they had both measures of loans, and has chosen option 2 rather than option 4 because they want to respect symmetry and also do not want to apply the impaired value to debtors. She stressed the fact that the measure of bad loans differ from country to country, depending on the degree of presence of bad payers. This will make the data difficult to compare.

ECB: has sent a paper to the EDG and supports option 2: there is no way not to respect the terms of the contract (nominal value) as long as there is no change by mutual agreement. Option 4 requires the recording of provisions, and has a risk of asymmetry.

France favored option 2, refusing dissymmetry in the financial accounts. Moreover, there is no room in France for full fair value (taking into account interest rate risks), loans having little tradability.

Japan explained that their financial accounts was built using option 4, with market value defined as nominal less provisions. Regarding cross border loans, option 2 might be seen as realistic.

USA has chosen option 2 in the name of symmetry, and because policy makers look more at the debtors position in the financial accounts, which would be unduly improved if we applied to them the impaired value. Users wishing to have the creditors’ image can turn to supervisory data.

Denmark found at first option 4 attractive, but did not give sufficient importance to the debtor’s viewpoint. Debtors can go bankrupt for not paying these loans and showing them as terminated in their accounts would bias their balance sheet. He supports those who say that the terms “market value” should not be used. His interpretation of the ESA, contrary to Eurostat’s intervention, is that the write-off is the final one, not the provision.

OECD secretariat supported option 3, considering that option 2 would not bring any real change in SNA. Two issues illustrate this. The moderator proposes "compulsory memorandum items", but the status of this is not known. The moderator has not proposed any change to sentences like "loans can only have one single value (the nominal value)" in the SNA.

The representative of the moderator (IMF) closed the discussion with these three points: (1) he has noted that a general concern was to better define the notion of fair value or market value for loans, so he will ask clarification on this point to the moderator, (2) in his view the definition of bad loan could be loans that are unpaid after 90 days, (3) the introduction of compulsory memorandum items is new, so this will be a change in the SNA, but it surely needs to be better defined.

Item 6. The treatment of provisions in the SNA

Presentation by F. Lequiller (OECD Secretariat) of a paper proposing to include in the SNA review an item on the recording of provisions. The paper proposes to create a special account, affecting only balance sheets. The paper will be presented as an information point during the December AEG.

Austria expressed serious reservations on the proposal, emphasizing first that national accounts cannot deal with everything. The paper is not correct on the impact of provisions on the accounts. Provisions "do not fall from the tree", the paragraph of aggregation is wrong: provisions affect the asset side automatically. Also, the difference between national accounts and business accounts on the valuation of assets historic/market is closely linked to the absence of provisions in the national accounts. Recording assets at market value takes into account provisions. Finally, he does not think it is possible to include provisions in the systems.

Canada expressed some sympathy for some parts of the proposal, but does not agree that there is convergence between business accounting and national accounting: these systems have different objectives. He gave an example of recording provisions for loans of government enterprise in Canada. A good case is made in the paper on non performing loans. He thinks that it is possible to handle the provisions in the other change in volume accounts. He does not agree to include these items in the flows (savings).

The UK has sympathy with the proposal; users in UK are expecting this. However, the paper is not sufficient and should cover all the implications.

The Netherlands has some sympathy, but still prefers to record memorandum items. First any proposal should clearly discuss the borderline of the provisions to be included: not all the many provisions recognised by businesses should be included (example: provision for new management).

The ECB recognizes that something should be done regarding contingent liabilities and provisions but these should be left to memorandum items, after balance sheet. Something should be added on the public sector chapter in the new SNA.

Australia emphasizes that quadruple entry and symmetry are fundamental principles for macro-economic accounts (aggregation etc.). The introduction of provisions would not respect these principles. Some provisions can come in the scope of the accounts (non performing loans, for example) but they should respect the symmetry of the accounts.

France appreciates the proposal to put flows related to uncertain assets in a specific table. However she underlines that the national accounts viewpoint (sources and uses of funds) is different from business one (asymmetric, emphasis on risk and prudential recording).

The USA also supports the idea that national accounts cannot be perfectly harmonized with business accounts: the purposes are different. He would be reluctant to expand the scope of SNA review to systematically include provisions, but yes on a case by case basis. To introduce a disconnect between the flow accounts and the stock accounts would not be useful.

The presentator concludes that there is not much support for the proposal. The chair states that, perhaps, such ideas would enter in the next revision of the SNA, but not the present one.

Item 7. Task force on financial services: progress report

Presentation by A. Nordin (OECD Secretariat) of a progress report (power point).

Australia expresses concern that the "global approach", even if interesting in theory, could not be applicable in practice, thus limiting the scope of FISIM to loans and deposits. In any case, the SNA should be changed. He explains that for the price and volume split, implicitly priced services and explicitly priced services should be treated simultaneously.

Eurostat expresses doubts on the new definition of financial corporations (beyond financial intermediation). The current SNA has a good definition of financial corporations even if some clarification could be introduced for special units (mutual funds). Extending the boundary to "risk management" would not be relevant. FISIM is a process by which income is split between D41 and P1. But the intention should not to change the boundary between income and revaluation. He insists keeping the debtor principle.

France supports "in principle" the "global approach" to measure production, but when you go to implementation the global approach becomes very dangerous. It implies to calculate FISIM on own funds. All companies have own funds and their function is not to provide financial services. Concerning holding gains and losses, the measurement ex-ante is also quite dangerous: the user of data will find the assumptions of the statisticians or the use of smoothed past value is dangerous? Finally, to answer to Eurostat, the definition of financial corporations should refer to risk; perhaps the definition could refer to "financial risk" to be more precise.

The chairman recalled that this is an issue for the November 2005 AEG.

Item 10. Tax revenues and tax credits

Presentation by J.P. Dupuis, OECD Secretariat.

Denmark refers to the definition in the present SNA of the amounts of taxes to be collected. While he accepts the idea that the SNA should reject obvious over-assessment of taxes when this is implemented, in some countries, as a pressure from the government to obtain some receipts, in most OECD countries, this is not the case, assessed taxes are not of that kind. They correspond to realistic taxes and the amount of taxes uncollected is small (0.1%). To exclude those tax liabilities from the debtor sectors will give a distorted picture of those sectors, which units can become bankrupt because of not paying those taxes. He proposes to maintain the capital transfer method to align the government recording and the SNA. The coefficient method to adjust taxes should be avoided because it implies too many imputations.

The USA wants to see a link of this issue with the one on non-performing loans. He rejects the use of a capital transfer to correct for uncollectible taxes, and also the use of coefficients. He expresses preference for the time-adjusted cash-basis.

The UK supports the position of the majority of the task force for tax credits. Clear guidance is needed in the SNA to protect statistical offices against window-dressing presentations. The current text does not go far enough in detailing the difference between taxes and service charges. You may estimate the service part only *if you can identify a separate unit* in the government that collects the service charge, and look at what is done with the money to identify if there is a redistribution element. He made reference to passport and congestion charges to show where there is an uncertainty whether to record the payment for a service and a tax. The current drafting is insufficiently clear. Regarding tax credits he supported the view that non-wasteable tax credits are by construction social benefits, because the very fact that the individual can receive money shows the intent of the scheme. This principle should be implemented in the SNA to avoid false presentations of a reduction of the tax burden.

Anne Harrison argues that a number of issues require more explanation in the paper:

- There is no mention about ‘’ear-marking’’ of taxes.
- Time of recording of assessed amounts in a parallel activity as compared to a regular activity?
- Consolidation and capturing of tax credits.

Eurostat agrees with the USA on the link with non performing loans and supports the elegant proposal made by the UK on tax credits. He reminds the participants of the work that was carried out on how to treat the issue of uncollectible taxes for the purpose of the Excessive Deficit Procedure. Three options were worked out that should lead to the same net lending/net borrowing of general government. It is one conceptual decision based on three practical options. In particular the capital transfer must be recorded at time of assessment of the tax. The result of this option is strictly the same as the coefficient method.

Australia brings up two issues:

- The problem to measure on an accrual basis. In Australia both methods of recording at taxable event basis and assessed amounts are used which give different outcomes. International comparability could be affected if the method was not made clear.
- The definition of tax credits needs to be made clear, to avoid window dressing. The criteria “being embedded in the tax system” is not sufficiently clear. The key issue is the purpose behind the flows.

Denmark refers to the coefficient, the time adjusted cash and the capital transfer methods. He agrees that the result on net lending/borrowing is the same whatever the method, but there are problems with the two first methods. In cases when employers do not deliver the money that they withhold on employees but do not pay this withhold money to the tax authorities these methods raise a problem. In national accounts taxes are recorded as being paid directly from households to tax authorities. So in these cases full accrued amounts are to be recorded and then be adjusted with a capital transfer. Otherwise one will end up having a higher household disposable income of households while these taxes have been “paid” by households; it is the employer which withholds it. The two other methods do not work in these cases. The EU regulation recognises this situation. In Denmark, these types of taxes collected by employers represent 50% of total taxes, this is not small amounts.

The UK reminds the audience that we should wait to take our decision on tax credits in full knowledge of the position of the IFAC-PCS. A difference should be made between tax allowances and tax credits.

- Tax allowances reduce the income which is assessed to be taxed. They should be treated on a net basis.
- Tax credits reduce the tax to be paid on the income.

- Then there are payable and non-payable tax credits. So there are in fact three categories.

C. Heady (OECD Secretariat, Revenue Statistics) takes up three issues:

- The distinction made by the UK between a service charge and a tax is interesting. But he argued that the administrative part of a congestion charge should not be netted out of a tax.
- Timing and the fact that some countries record taxes at the underlying economic event and others on an assessed basis. He did not fully understand why is not possible to adjust assessed amounts back to the period of the underlying economic event as with time-adjusted cash.
- Tax credits: He agrees that non-wasteable (payable) tax credits have a clearly redistributive purpose. However there are many other aspects of tax systems that have clearly redistributive purposes. For example, a large number of OECD countries have tax allowances for children, or tax systems that favor married people. Work done has been in the OECD to try to measure net social expenditure in order to measure the amount of real amount of distribution and this work does not limit itself to tax credits but to all tax allowances. If we start to base the recording on the fact that there is a redistributive purpose we would have to reclassify a large chunk of taxes. Otherwise you would not have international comparability. There are only 8 OECD countries that have non wasteable tax credits but there are many more that have clearly redistributive elements in their tax systems and it would be wrong to point at some but not at others. This type of work is done at the OECD but implies a lot of estimation that would not be probably accepted by national accounts.
- In fact, if one wants to assess the amount of social redistribution in the system, another aspect should be taken into account: countries vary very widely on how they tax social benefits. The OECD work has shown that the impact of these differing practices is more important on the social benefits that non wasteable tax credits.
- As a conclusion, one should be clear about the objectives: are we trying to measure what the law says is taxes, or are we trying to re-estimate all taxes and social benefits? The latter would involve a major change in national accounts.

Canada referring to the debate coefficient/capital transfer wonders whether it is an either/or debate. Canada presently uses a combination of both and the method employed depend on the type of tax to be recorded and what is more practical. Canada records tax expenditure when government forgives corporate tax and income tax.

Eurostat explains that all problems raised by Denmark are resolved in the detailed EU regulation. In addition he raises the practical issue of the measurement of tax credits:

- The problem of recording non-wasteable (payable) tax credits. Data are often available only at aggregated level where the amount of tax credits disappears into the total amount.
- The real issue would be to measure tax expenditures but their measurement depends on circumstances of individuals. He agreed with Chris Heady that there is a question therefore whether we could ever record this in the national accounts.

France said the third solution of the European Regulation, the recording of capital transfer, should be maintained in the new SNA. The other solutions are not consistent with the data received from employers.

In conclusion J.P. Dupuis, OECD noted that:

- A practical solution has been adopted in most countries and a mixture of options has been implemented. We have to agree on a compromise in line with what was done in Europe (which allows the three methods).
- Regarding the timing of the taxable event, flexibility is needed to adapt to the date the tax is assessable. This is also true for the underground economy.
- A majority of participants would like to reach a compromise which was reached in Europe, in GFS, meaning limiting the reclassification of tax credits. However, a borderline has to be drawn between tax credits and social benefits.

The chair proposed in order to resolve the problem to make a survey among the participants of the TFHPSA and OECD countries.

Denmark insists that the survey is done using the same procedure that was used in Europe, i.e. separating two steps: (1) principles, (2) detail of implementation.

Item 11. Government/public/private sector delineation issues

Presentation by G. Jenkinson (ONS) of a paper presented to the TFHPSA meeting in Washington, and recommendations for improvements resulting from this meeting.

Eurostat considers the paper as tackling interesting issues, but not ready for AEG submission. He rejects the priority given in the paper to the public sector. He recommends keeping the present sector structuring of SNA, and in particular the general government. The current drafting of the SNA is often clearer than the draft proposed in the paper. He recalls that the terms of "economically significant prices", though not sufficient as a guideline, was the only possible agreement at the time of SNA drafting, after hours of discussion. All attempts to make it more precise (50% rule) was rejected. Contrary to what is said in the paper, the status of NPISH in government is not an error of the current SNA but was done deliberately. Priority in the work should be given to the definition of "control", individual units within the central government, and special purpose vehicles (overlapping with the BoP).

The Netherlands finds the organization of the paper confusing by not respecting the institutional sectors of the SNA. Control defined as the power to receive a benefit does not function well when public enterprises make losses. He claims that pension funds for public sector employees should not be excluded from the government sector.

Eurostat mentions that it would be useful that the SNA defines what is "central government" and its relation with the "Budget".

A. Harrison recalls that there was an "awful lot of thinking" 15 years ago, and asks to keep the present flexibility of the SNA because of the difficulty of adopting a single criterion to all countries. It would be helpful that the new SNA puts together (i.e. in adequate paragraphs) all the different sentences or bits of sentences that govern these classifications. The SNA says that the funded pension schemes for civil servants should be classified in the private sector.

Graham Jenkinson (ONS) recognises that there is a big challenge in the recommendations. One of the challenges is that there is a large set of criteria (10 in the UK) that have to be used to classify a unit. He reminds the audience that the objective is to have a special chapter in the new SNA on general government accounts.

The chairman advised, in order to be in a position to make recommendations within one year, to build on the European experience: statisticians need more clarification, less leeway. He suggested organizing a survey asking questions for the clarification (Horizon: February 2005).

Item 12. Accrual of earnings on equity stakes of government into public corporations in the SNA

Presentation by P. de Rougemont, Eurostat, team leader THPFSA

Canada found that the content of the presentation would enhance transparency in government financial reporting. But he emphasised that:

- Reinvested earnings are imputations and that we therefore have to be careful.
- The present proposal may be difficult to implement practically at low (local) levels of government.
- Reinvested earnings can be seen as biased from the point of view of the owner (the government).

He pointed out that the nature of the imputed financial transaction corresponding to reinvested earnings is difficult to apprehend in the financial accounts. This proposal changes the concept of income with the consequence that it could extend to other institutional sectors, and thus profoundly modify the SNA. Moreover, reinvested earnings are more a book value concept than market value concept.

The Netherlands is very uncomfortable about having a full accrual accounting of dividends because, first, it assumes a strong relationship between actual profits and market prices of shares which is normally rather weak. Second, distributed dividends is economically meaningful. On the other hand, we should look at a different treatment of shareholders with a direct control e.g. subsidiaries (where accrual recording may have advantages) as opposed to dividends to shareholders without control.

Australia observed that the introduction of the FDI into the SNA 93 created an inconsistency in the accounts to the extent that only direct investment relationships with overseas counterparties were considered whereas such relationships exist throughout the economy. While the use of the reinvested earnings solution for publicly owned enterprises does not solve the inconsistency issue, it may be an appropriate solution. However, it would be worth considering the extension of the treatment to all sectors with a direct ownership relationship.

The UK thought that more guidance is needed in the new SNA to limit the scope for manipulation of government deficit and debt. However, there is another solution than the reinvested earnings one, which is to input the provisions made by the European *Manual on deficit and debt* in the SNA. Control and ownership are two different concepts.

ECB stressed that an extension only to the government sector bring even more inconsistency to the current system. He suggested three possible options:

- No change to the present system
- To expand the treatment of FDI treatment to all sectors
- FDI for no sector, which would be the favoured option for the ECB.

The USA supported the proposal for extending the treatment of FDI into the government sector proposal for practical and conceptual reasons. The extension to the households sector is impracticable. Because many financial statements of government are consolidated, it is sometimes easier to treat flows as the FDI treatment than to deconsolidate these accounts.

In conclusion, P. de Rougemont, (Eurostat) argued *that in any case* there will be a change to SNA: either include the provisions of the Eurostat Manual, or extend the FDI treatment to government. The AEG has decided not to re-discuss the FDI treatment in itself, so it will remain in the new SNA. Regarding the extension of the FDI treatment to other sectors than government, the task force does not have this mandate. In addition, he argued that D43 is not in contradiction with market valuation. The issue is how to treat the change in the equity of government: is that change is a transaction (income) or it is reevaluation? You have three options: all income (not realistic), all revaluation (not realistic), a split, corresponding to the proposal made.

A survey will be circulated to the task force in November-December.

Item 14. Ownership transfer costs

Charles Aspden (OECD secretariat) presented the draft issues paper for decision at the December 2004 ISWGNA/AEG meeting, which was prepared by Anne Harrison. All but three of those making an interjection expressed support for the proposals. The representative from Germany thought that it was inappropriate in principle to write off expected expenditures on disposal and termination before they occurred. The representative from the Netherlands expressed his concern, but said that "he could live" with the proposal. Most of the comments concerned the practicalities of the proposed treatment of termination costs, which is as follows:

> Terminal costs (e.g. de-commissioning costs of nuclear power stations, open cut mines) should be treated in the same way as COT on disposal, except that they are written off over the expected service life of the asset. However, when termination costs are unanticipated or cannot be predicted with reasonable accuracy then they can be written off as CFC immediately.

Speakers from the UK, US and Australia were all supportive of the preferred treatment, with some saying that anticipated terminal costs were often recorded on the financial statements of businesses. The representatives from Norway and the Netherlands considered that it would be difficult to obtain reliable estimates of terminal costs for such things as oil rigs and nuclear power stations and they envisaged using the fall back option of writing off the termination costs immediately that they are incurred.

The representative from Austria agrees on the principle but criticises the paper for not making it clear to which assets the COT related. He queries whether the treatment would differ depending on the underlying asset. The German representative notes that the current SNA recommends that the COT on produced assets should be recorded as part of the GFCF of the underlying asset, while the COT on non-produced assets is recorded separately in GFCF but as part of the underlying non-produced asset although it is produced.

The representative from Korea agreed with the proposal regarding installation costs in principle, but questioned whether these costs would ever be separately identifiable.

Charles Aspden responded as follows:

1. Only by writing off the expected costs of disposal and termination from the time of acquisition of the asset would the value of the net capital stock correctly reflect the market price of the asset. If the estimates of CFC excluded these costs then the resulting estimates of net capital stock would be overstated.

2. If approximate values of the termination costs of such valuable items as oil rigs and nuclear power plants are known it would be best to use them in order to get more accurate estimates of the market values of the assets on the balance sheet. Only when the termination costs are unexpected or could not be predicted with satisfactory accuracy should they be written off when they are incurred.

3. The COT proposals apply to both produced and non-produced non-financial assets. In the case of COT on land, the issue paper concerning land proposes that COT on land be combined with land improvements.

Item 15. The measurement of databases in the NA

Nadim Ahmad presented his paper for decision at the December 2004 ISWGNA/AEG meeting.

The representative from the US asked if any country was recording capital formation of databases.

The representative from the Netherlands was concerned about identifying which databases should be incorporated in the asset boundary.

Charles Aspden (OECD) then referred to the results of a recent survey (to be presented later in the meeting) which showed that the majority of OECD member countries responding to the survey did include databases in GFCF, but only one of them was able to separately identify them. He then made reference to his own experience in a national statistical office and observed that databases used in the compilation of the national accounts, which were frequently revised, should not be regarded as assets, but copies of population census data sold to users, which could be expected to be used for a number of years, qualified as assets. In his view the normal rules for determining what an asset was and what was not should apply.

The representative from Germany gave details of how estimates of own account GFCF of software and databases combined are derived for that country. She supported the recommendation that there be a sub-aggregate of GFCF of software and databases combined. However, she went on to propose that instead of using software and mineral exploration as reasons for including R&D and other hard-to-measure intangible assets in the asset boundary we could also go the way back and exclude all the other in the 1993 SNA included intangible assets from the asset boundary because of measurement problems and therefore of problems of international comparability.

The representative from the Netherlands expressed his unease with the notion of e.g. statistical offices producing databases of (publicly) available statistical information qualifying as assets. A clearer definition of databases to be included is needed here.

Nadim Ahmad agreed with the German representative that having a sub-aggregate of software and databases combined could alleviate estimation problems. He then went on to argue that databases holding national accounts data for revision analysis should be regarded as assets, as they met the standard requirements of an asset.

The representative from Austria expressed his support for the proposals.

Item 16. The treatment of originals and copies in the NA

Nadim Ahmad presented his paper for decision at the December 2004 ISWGNA/AEG meeting.

The representative from the UK expressed concern that the proposals were inconsistent with paragraphs 6.143 to 6.146 of the current SNA which deal with the production of originals and copies, noting that these paragraphs referred to the consumption, not capital formation, of copies. He also described a hypothetical situation involving the sale of a copy of a database and asked whether this was really capital formation. He then went on to argue that R&D output was in fact the creation of ideas that formed many intangible assets.

Nadim Ahmad responded by saying that copies rented for only a short time should not be treated as capital formation; only copies that were used repeatedly or continuously for more than a year should be recorded as capital formation.

Item 17. Cost of capital services in the production account

Nadim Ahmad presented his paper for decision at the December 2004 ISWGNA/AEG meeting.

The representative from Denmark said that while his NSI had derived estimates of multifactor productivity, and in doing so had derived estimates of capital services, he had reservations about including capital services in the core of the accounts:

1. the estimation of capital services was based on a number of assumptions, including a future rate of return, and although he understood that these same assumptions were implicitly made, if not explicitly made, in the calculation of consumption of fixed capital, the assumption concerning the rate of return will have a much greater impact on the capital services;
2. there are different views about an appropriate production function; and
3. only seven (two by detailed activities) of the fifteen EU countries that existed at the beginning of 2004 are able to supply the estimates of GFCF required, which raises the question of how feasible the proposal is.

The representative from Australia expressed support for the proposal. The data could be very useful for analysts. Having capital services as an ‘of which’ item in the production account would give users a better understanding of what contributes to GOS, and the size and sign of the residual could be very interesting. He mentioned however that the choice of the rate of return needed more consideration.

The representative from Germany supported the views expressed by the representative from Denmark. She noted that only a few OECD countries were reporting estimates of capital stocks. Her experience from an EU CFC task force implied that most countries would be unable to derive satisfactory estimates of capital services from produced assets. She also had concerns about the likely quality of estimates of capital services from non-produced assets.

The representative from the Netherlands agreed with the views of his Danish and German colleagues. He thought there were too many problems: do we have all the assets which produce capital services? Do we have perfectly functioning markets? Why don’t businesses rent all their capital? Should we use exogenous or endogenous rates of return? He preferred presenting the estimates of capital services and a split of GMI into its labour and capital components in a satellite account, and not in the core accounts.

The vice-chair (the representative from Lithuania) expressed her concerns about the difficulty of implementation in the core accounts, and preferred leaving this to a satellite account.

The Canadian representative expressed support for the proposals. She said that Canada had done a lot of work on this subject and had gained considerably from doing so. The publication of estimates of capital services had led to a lot of debate both within and outside Statistics Canada.. Questions had been raised about the capital estimates (capital services, capital stock and consumption of fixed capital) and GOS which had led to an improvement in the estimates.

The representative from New Zealand shared the concerns expressed by his colleagues from Europe. He was concerned that the proposal required NSOs to make more imputations using models. He supports the presentation of the proposed estimates in a satellite account.

The representative from the UK supports the idea of publishing the new estimates. In his view, a lack of data was not a satisfactory reason for opposing the proposals. However, he was ambivalent about presenting these estimates in the core accounts. He said that further explanation of how constant price estimates of compensation of employees needed to be provided, and how to choose a rate of return to capital needed resolution.

The chairman (OECD) said he thought numerical examples were required to show how the estimates should be derived.

Nadim Ahmad responded and made the following points:

1. Now that the issue on the measurement of depreciation had been more or less resolved (see the draft minutes of the Canberra II meeting 1-3 September, 2004), the Canberra II Group could proceed to develop numerical examples.
2. He stressed that the proposal s did not change any of the existing estimates in the accounts and that capital services would only be an 'of which' item. If countries were unable to derive estimates of capital services, or they lacked confidence in their estimates, they could choose not to present them in the production account.
3. He personally preferred the use of an exogenous rate of return. But he noted that a rate of return was needed implicitly, if not explicitly, to derive estimates of consumption of fixed capital and capital stock. In order to derive these estimates it was necessary to use a model. Although what we are proposing is to use the same model and assumptions to derive estimates of capital services, CFC and capital stock.
4. He noted that the old controversy between the two Cambridges was not really relevant because that concerned the aggregation of capital.
5. The derivation of constant price estimates of compensation of employees would be dealt with in a forthcoming paper.

In summary, it can be said that the views of representatives fell into three groups: group A who are opposed to the proposals, group B who are supportive of he proposals but with the caveat that the estimates be presented in a satellite account and not the core accounts, and group C who are supportive of the proposals without reservation.

Item 18. General government (and other non-market) assets: cost of capital services

Anne Harrison (OECD) presented her paper, the main thrust of which is that consumption of fixed capital be replaced by capital services (i.e. CFC plus a return to capital) for the purpose of estimating the value of non-market output. The paper is presented for decision at the December 2004 ISWGNA/AEG meeting.

In doing so she segregated the different assets owned by these producers into three categories:

1. of the type used by employees in the course of their work,
2. those which provide a service to the economy at large (e.g. roads)
3. those which provide a service to the community at large (e.g. city parks)

The representative from Canada supported the proposal in respect of the first two categories. She thought that a suitable rate of return for the second category of assets was the long-term government bond rate.

The representative from the Netherlands said that, in the absence of true market prices, the valuation of non-market output can only be measured by a convention. In relation to this convention, i.e. in imputing a value to the output of non-market producers, we had two options. The first was simply to value it as the sum of costs, in which case all the costs should be counted, including a return to capital. The second was to try to measure output as being equal to the value of welfare it produced, in which case the inclusion of a rate of return on capital (and other costs as well) is not that straightforward. He gave the example of a railway line to a small community from which, obviously, only a small number of people gain welfare. He asked which convention is best. He concluded that, in the end, we may have to apply a simple convention like the sum of costs. Furthermore, he noted that, in practice, many countries do not have full estimates of (some items of) capital stock, especially in relation to e.g. non-produced assets and historical buildings, which would allow them to calculate the (total amount of) return to capital.

The representative from Australia gave his full support to the proposals. He argued that the SNA currently recommends that the value of non-market output should be valued as the sum of costs. Logically, it should include all costs, including a return to capital. He also noted the SNA's recommendation to use output indicators to measure the growth of non-market production at constant prices, and as this recommendation was more extensively adopted the valuation of output as the sum of costs at constant prices would become less of an issue. In his view, the SNA should provide strong conceptual guidance and the practicalities of implementation were a separate issue that should not be allowed to cloud issues of conceptual probity.

The Danish representative said that Denmark not yet had a final view on this proposal. He agreed with his Dutch colleague that few countries have the capital stock estimates to support the calculation of a return to capital.

The representative from the US supported the proposal. He agreed with Anne Harrison that it was justified from both the capital services point of view and an opportunity cost point of view. He noted that it was necessary to gain agreement on how the rate of return should be derived, but expressed confidence that this could be achieved.

The Swedish representative questioned how one could be in favour of using capital services to derive estimates of non-market output but be opposed to presenting capital services in the production account of market producers.

The representative from Germany confirmed her opposition to the presentation of capital services in the production account and the use of capital services to estimate non-market output.

The Danish representative said it was necessary to include a return to capital in estimating the output of non-market producers because it was one of the costs of production, but it was unnecessary to include capital services as an 'of which' item in the production account. In the market sector GOS covers all costs.

The Dutch representative said he agreed with this argument by the Danish representative.

The Swedish representative noted that one needs capital stock estimates to derive a return to capital. Therefore one could not use the lack of capital stock data as an argument for not presenting capital services in the production account of market producers and at the same time ignore this shortcoming when supporting the inclusion of a return to capital in the measurement of non-market output. He shared the view of the German representative in opposing the use of capital services.

In summary, there were two groups: group A supported the inclusion of a return to capital when summing costs to measure non-market output and group B who opposed their inclusion and favoured the status quo.

Item 19. Mineral exploration

Anne Harrison presented her paper for decision at the ISWGNA/AEG of December 2004.

The representative from the Netherlands supported the proposals. He noted that in the Netherlands some of the 'royalties' paid to the government were in effect recorded and published as part of taxes. Hence, he would need to talk to the relevant ministry to find out whether the taxes could be split into a royalty part and a true company tax part, and whether the ministry would be willing to include this split in their records and publications (to maintain the micro-macro link for these important trasactions). In regard to the final proposal (which is yet to be determined by the Canberra II Group) he does not like the idea of partitioning ownership of the sub-soil asset.

The Australian representative supported the proposals. He noted that the ABS had been including sub-soil assets in the balance sheets for some years. The values are estimated as their net present value.

Item 20. Treatment of land improvements

Charles Aspden presented his paper for decision of the ISWGNA/AEG of December 2004

The Canadian representative supported the proposals, but asked how the value of unimproved land would be estimated.

The representative from Eurostat thought the task of splitting the rent/rental of land between land improvements and unimproved land would be horrendous.

The Australian representative expressed his support for the proposals but asked if the COT on land transfer would be written off over the expected period of ownership.

The UK representative expressed his support for the proposals, but questioned whether there would be no impact on GDP as claimed in the paper.

The German representative expressed her support for the proposals, adding that Germany was unable to distinguish between capital formation of land improvements and other forms of construction in its sources. She confirmed that there is no impact on GDP.

The New Zealand representative largely supported the proposals, but queried whether activities such as contouring and stone clearing could be depreciated.

The representative from the Netherlands asked what the value of the land improvements would be for his house site which is below sea level, given that the dykes, etc that prevented his house from being submerged were providing similar services to his neighbours.

Charles Aspden responded as follows:

1. The proposal is that unimproved land should be valued as the combined land value less the stock of land improvements.
2. The problem of splitting rent/rentals already existed in respect of land and buildings/structures. The proposal merely shifted the boundary, with unimproved land on one side and produced assets on the other. He also noted that when a split could not be made the total rent/rental should be allocated completely to one or the other depending on the relative values of the produced and non-produced components. If anything, the proposal should be easier to implement that the status quo.

3. He confirmed that COT on land transfers should be written off over the expected period of ownership.
4. He argued that all land improvements, including contouring and stone clearing were subject to depreciation and required maintenance.
5. The value of the land improvements to the Dutch house site from the dykes, etc. should be estimated by allocating the total costs to each block of land.
6. He thought that GDP would be unaffected, but he invited members to review his tables at the end of the paper and alert him to any errors.

Item 20a. New top level structure for national accounts data transmission

OECD (Bill Cave) presents the Eurostat initiative of proposing a new top level structure for industry classifications for the National Accounts that would replace the existing A3/A6/A17/A31/A60 structure used by Eurostat and OECD.

Eurostat explains the context of their initiative. The implementation of a new ISIC in 2007 governed a change of the structure. The proposed ISIC has a level of 21 industries (letter based) and a level of 87 industries (2 digits). These levels are not very adapted to the national accounts (essentially joint OECD/Eurostat questionnaire) and Eurostat has proposed a level A9, for quarterly accounts, and a level of A65, for input-output and annual accounts. The idea is to propose these levels in the ISIC meeting of this autumn, in order to have them approved by the Statistical Commission in 2007, and then in the SNA, in 2008.

USA expresses the view that it is essential that non European countries are involved in the choice of this structure, and that they are not only involved in the tail of process, as the last time, after the European countries have decided. He thinks it is a good proposal but the issues are in the detail and he will inform the experts in his agency for detailed comments on the proposal. He already stressed that the A87 or even the A65 would be difficult as the US only publishes systematic data under a 60 entries classification.

Australia also wants to be involved upfront and has the same reaction as the US relating to the difficulty of responding in 65 positions, when the accounts are published in a less detailed classification. The revision of the CPC should be also discussed. He queries what is the level of detail requested by the OECD, for example in the STAN database? Australia does not want to compile specific data that is not used by OECD analysts.

France explains that they do not agree with the Eurostat proposal of A65, and favors keeping the 87 ISIC positions as the main structure for the national accounts, but proposes an intermediate structure, between A9 and A87, in order to replace the current A31 level.

Denmark thinks that it is important that there in a more international agreement including non European OECD countries. This should be done rapidly, considering the amount of work to be done. The bridge table between the old and new structure should be as simple as possible.

The presentator and the chair conclude that they have clearly received the message that non European countries want to be involved. The OECD will ensure that that happens, starting with an explicit consultation of non EU countries. The need of an intermediate classification between A9-A65 is apparent. The logic is to introduce these top level classifications in the new SNA.

Items 21-22-23-24 Data collection and dissemination at the OECD

The OECD presents the situation of national accounts data collection and dissemination in the field of general government accounts (publication of a new volume, Jean-Pierre Dupuis), of annual accounts (Michèle Hainaut), and quarterly accounts (Michèle Harary). Lars Thygesen presents the NAWWE initiative.

Eurostat stresses that the presentation of NAWWE is overly optimistic. There are problems with "key families" in the SDMX initiative. Eurostat explains that it now disseminates data free of charge (New Cronos is accessible via Internet).

Item 25. Report of the UK Atkinson panel.

The chair welcomes Sir Tony Atkinson and thanks him for having accepted to present the report that he conducted in the UK on the measurement of the non market output. All interventions congratulated Sir Atkinson for the great quality of the report.

USA expresses the view that the issues raised by the measurement of non market output can also be found for market output, and in particular for market services. Studies in the US have shown that there are several market service industries (and also construction) that show implausible negative productivity. A few improvements have been made by the BEA since these studies. He contests that the principle of measuring "incremental contribution to welfare" was applicable to collective services, given that we do not know how to construct "collective" utility curbs. Therefore, while he agrees that one can probably find good indicators of output for individual services (health and education, where similar private services can be offered), he does not believe that it is realistic to cover collective services with such indicators. He strongly agrees with the Atkinson report in stressing the importance of indicators reflecting the maximum of quality adjustment.

Netherlands proposes a definition of output as the contribution to outcome attributable to a production process. He queries the use of some quality adjustments features, such as school tests, to be used to compile direct output based indicators, because teachers specifically teach students how to succeed in these tests. He also doubts that there can be a direct output measure of collective services. He thinks that statisticians should be prudent in assuming that there are always gains in productivity. In the Netherlands, there was a big increase in expenses but concentrated on unproductive management or new untrained personnel.

Denmark is concerned of the risk on the independence of the statistical agency when it is recommended that the ministries corroborate the resulting productivity measures. In the UK, was it not because the productivity was negative that the ministries wanted it to be increased? He supports the change in the global message that the report brings compared to what was prevalent since the Eurostat Handbook, which was more or less that direct output is *inevitably* better than input indicators. Now it is rightly considered that this is not true. For example, the UK report would probably prefer an input measure than using the number of pupils as a direct output measure.

Australia continues in the direction of implementing direct output measure for health and education (including for private services). He discusses to which point quality adjustment can be attributable to the output or to the outcome. For example tests results in education may be more linked with outcome. It would be better to focus on the "quality of teaching". He queries about the use of indicators of capacity utilization of capital in the measure of non market output.

In Hungary it is reasonable to focus on education and health which represents 2/3 of global output, and for which one can imagine direct output indicators. It is not realistic to extend these indicators to the rest.

Eurostat says that there is a need for clarification of what is output and outcome.

The UK explains that there has always been a rigorous and formal process when implementing the direct output measures in the ONS.

Austria is concerned that the volume approach is based on the main function but the current price approach is institutional. How can these two approaches be consistent?

In response to these interesting comments, Sir Tony Atkinson, mentions that setting a set of "principles" in the report helped to insulate from political pressure (no principle says that productivity should be increasing…). He admits that the report departs from the EU Handbook: there is a necessity for a minimum standard to accept the use of an output indicator. He mentions that it is not so easy to classify services as "individual" or "collective" (e.g. public health). Regarding the discussion on output/outcome, his report insists on the "incremental contribution to outcome", not the measure of outcome.

The second part of the session consisted of a presentation of an OECD paper, by François Lequiller, proposing formal recommendations derived from the Atkinson report. This session is for decision (by written consultation after the meeting). In his presentation, the author mentions that, following the discussion of the first part of the session, Recommendation 1 of the paper should include more clearly a rejection of the use of direct output indicators for collective services.

Australia asks for a clarification of recommendation 4 regarding the definition of the market sector, and would agree on a proposition based on an industry classification rather than a sector classification. He finds recommendation 2 rather prescriptive.

Austria questions recommendation 2 knowing that some functions (education and health) may be conducted by local authorities. He proposes to give a specific focus in Recommendation 3 on universities, which combine teaching, research development and even health services. He agrees on recommendation 4. Regarding recommendation 7, training costs are not born by the enterprise.

The Netherlands more or less agrees on the six first recommendations. He proposes that other "conditions" be added to the one on "quality adjustment" in recommendation 1: enough detail and homogeneity of products, full coverage, good information on costs for weighting. He agrees with recommendation 2, but it should be less prescriptive. Regarding recommendation 4, calculations are made in the Netherlands excluding some services, on an industry basis. It should not make reference to the market sector. He does not agree with Recommendation 7, which does not cover correctly the issue which does not only concern training costs.

The UK is concerned that Recommendation 1 does not go as far as it should regarding the elements of quality: the level of detail needed and the homogeneity in time should be mentioned. Regarding Recommendation 2, it should be stated that statisticians should have the final say. Recommendation 7 is unsatisfactory as it does not cover all capital implementation costs. It should be broadened.

The USA is concerned that the OECD creates a precedent by criticizing a particular country in the context of an international meeting. Regarding recommendation 2 a lot of services are produced by state and local authorities and it would be complicated to have their view on it. He criticizes recommendation 7 on the basis of feasibility: training costs are mostly bundled with other things and are difficult to separate. Other recommendations are good ones.

Eurostat has some sympathy with recommendation 4 as the old ESA was using this split “market/non market”, but this has been abandoned in the SNA 93. But the data must exist in the internal calculations of countries. However, it will not be so simple as said in recommendation 4. Regarding recommendation 6, the procedures of the SNA review should be respected. Regarding recommendation 7, there was a classification by function, the COPP, but it has never been implemented.

Denmark cannot see what the coverage should be in recommendation 7.

François Lequiller responds that he will take into account the comments, and propose another draft submitted to written consultation. He abandons Recommendation 7.

Item 26. Using National Accounts Data for Productivity Analysis

The session is for decision. The paper is from the OECD (François Lequiller). It proposes a set of recommendations in order to promote the use of national accounts data for the measurement of the labour input data in terms of hours worked in the calculation of productivity.

Most interventions supported the initiative, despite some modifications to be introduced in the recommendations.

Germany welcomes this initiative to use national accounts data. Germany experienced the same difficulties that OECD when they compared productivity levels between East and West Germany. She supports all the recommendations. However, regarding recommendation 2, she is concerned that there could be problems in generating the necessary data for labour input divided in the market and the non market sector. She also questions the feasibility of responding to the questionnaire on the bridge table between labour force statistics and national accounts as there are something like 45 different sources for the measurement of the labour input in the national accounts of Germany.

The Netherlands considers the issue very important. He stresses the fact that data in persons are not adapted to industry analysis. Data from enterprise surveys (in term of jobs) are more consistent than data based on Labour Force survey (in terms of persons).

Eurostat supports recommendation 4 which proposes to avoid excluding from the SNA the concept of persons, and confirms the excellent coordination with OECD.

The UK supports the initiative and will answer to the questionnaire.

The USA welcomes the initiative and supports the recommendations. He appreciates to be informed on how the OECD uses its data. The situation in the USA is that productivity and labour input is monitored by BLS, with which the BEA coordinates. In the US, there is preference to establishment data compared to the Labour Force Survey. The establishment survey (in terms of jobs) is benchmarked every year on quasi exhaustive data, while the Labour Force Survey (persons) is based on a relatively small survey, and is benchmarked only every ten years on Census. The BEA commits to transmit total hours including self-employed (recommendation 3). He agrees with recommendations 4 (that is to transmit also data in terms of persons) while he believes that it is better to use the concept of jobs in particular for industry by industry analysis.

Australia supports the effort to improve labour force data in the national accounts. He maintains that there is lack of clarity about the definition of the market sector. He would prefer to apply an industry based definition than a sector based definition for the definition of the market sector. Regarding recommendation 4, the concept of jobs is better adapted to industry analysis than the concept of persons.

Norway strongly supports the initiative and agrees on most of the recommendations. She warns that the comparison of levels is difficult. Norway is shown as having very high productivity level because of the oil and gas industry, which is not labour intensive, but capital intensive. She concludes that there should be also measures of capital productivity.

Italy supports the initiative and explains that labour input is at the basis of the calculation of national accounts in Italy. Contrary to what is mentioned in the tables of the paper, Italy is able to transmit total hours. She proposes that Recommendation 2 should not be compulsory and stresses that the number of jobs remain an important variable, especially for industry analysis (it is possible to introduce Jobs in the decomposition of GDP per capita). Concerning the bridge table, the passage from persons to jobs should be explicitly shown, in particular the inclusion of secondary jobs. It is not so easy to estimate the adjustment at the macro level when adjustments are made at industry and regional level. The table would be completely different whether starting from the labour force survey or the business statistics. An open question should replace the list of questions.

Canada supports the recommendation but warns of the use of persons rather than jobs. Canada does not equate market sector and business sector (because of NPISH).

New Zealand supports the initiative and explains that they are involved in the same exercise of reconciling sources on labour force. He maintains the necessity of jobs statistics. New Zealand has not adopted the SNA definition of self-employed and has a larger definition.

The chair concludes that the WPNA obviously supports the initiative. Modifications will be introduced to recommendations to take account of the comments. The questionnaire will be sent to European countries by Eurostat and to non European countries by the OECD. A specific consultation will be organized on the definition of the market sector. The objective is to obtain an aggregate which definition is independent from pre-assumptions on productivity.

Items 27-28. Open session on supply and use framework and input-output tables

Australia presents a paper on the method of compilation of national accounts based on a supply and use framework, in annual as well as in quarterly accounts. The USA presents their new project for a better integration of the input output accounts and the gross domestic product.

Many delegates show their interest in these presentations. They support the creation of an EDG on compilation methods. The OECD accepts to create this EDG.

Item 29. Software survey

The OECD presents the results of the survey on the implementation of the recommendations of the OECD/Eurostat task force on the measurement of software investment. The results show that while some progress has been made towards better convergence, there is still a wide room for the improvement of international comparability, especially regarding price indices.

Conclusion of meeting

The chair concludes the meeting by presenting the main features of the work program of the OECD national accounts team in 2004-2005. The work will continue to be focused on the review of the SNA, in particular with the Canberra II group, the task force on harmonization of public sector accounts and the task force on financial services. The OECD will also work on the five clarification items for the SNA review which derived from the meeting: classification of financial assets/corporations, valuation of unquoted shares, measurement of non market output, measurement of labour input, top-level industry classification. The OECD should organize a conference on the measurement of education output.

Written consultations of the WPNA will be organized on its mandate and bureau, on the measurement of non market output, on the definition of the business sector. The next meeting of the WPNA will be during October 10-14, 2005, in coordination with the WPFS. The agenda will be dominated, as this year, by issues linked to the SNA review. The WPNA will be consulted on the content of the open session, which could be focused on exchange of best practices in the practical compilation of national accounts (backward calculations, revisions, software, etc…).