

**Fourth meeting of the Advisory Expert Group on National Accounts
30 January – 8 February 2006, Frankfurt**

Issue 18

Right to use/exploit non-produced resources
between residents and non-residents

**REPORT ON e-DISCUSSION ON
THE RIGHT TO USE/EXPLOIT NON-PRODUCED RESOURCES
BETWEEN RESIDENTS AND NON-RESIDENTS**

United Nations Statistics Division

**Update of the 1993 SNA – Issue No. 18
Jan/Feb 2006 AEG meeting, Frankfurt**

Report on e-discussion on the Right to Exploit Non-produced Resources Between Residents and Non-residents

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Introduction

1. Except for land, transactions of the right to use or exploit non-produced resources between residents and non-residents have not been fully elaborated by the 1993 SNA. For land a notional resident unit is created which is deemed to purchase the land while the non-resident is deemed to purchase a financial asset (equity) of the notional unit. The paper addresses the issue of whether to extend the treatment of land to other non-produced resources such as water, fish, etc. or alternative treatments should be developed.

2. The issue description summarises the current situation in the 1993 SNA and the reason for further discussion on the matter. The Canberra II Group discussed three questions intended to provide a more comprehensive coverage of the question. These were:

- (a) Does the decision to treat some land as produced alter the convention that ownership must be held by a resident unit even if this means creating a notional resident unit?
- (b) Does the same convention on ownership of land and buildings by a resident unit apply to land and buildings held under a long term financial lease?
- (c) Do the conventions for natural land also apply to other natural resources?

Response received

3. The aforesaid questions were referred to the AEG members (document no. SNA/M1.06/28.1) soliciting their opinions through a questionnaire. The questions asked to the AEG members and responses received through e-discussions have been summarized in the following table.

Table: Questions asked of the AEG members and response received as on 24 January 2006

No.	Question(s)	Response received			
		Total	Agree	Disagree	No opinion
1	Do you agree that all land must be owned by a resident unit, whether it is natural land or land improvements?	22	22	-	-
2	Do you agree that the lessor of land or buildings held under a financial	22	22	-	-

No.	Question(s)	Response received			
		Total	Agree	Disagree	No opinion
	lease must be a resident unit, notional if necessary?				
3	Do you agree that, <i>for mineral deposits or static natural resources subject to multi period extraction</i> , the issue of a licence establishes a sufficient centre of economic interest for the holder of the licence to be regarded as resident (the BOPCOM view) or must production start to establish this (the CG view)? ¹	20	19	1	-
4	Do you agree that, <i>for radio spectra where there is no change in the asset brought about by usage</i> , the holder of a licence to use the spectra would normally be resident but exceptions may occur in certain cases such as geographically small countries covered by facilities in neighbouring countries?	22	21	-	1
5	Do you agree that, <i>for logging or static natural resources subject to short-term extraction</i> , extraction must take place for more than a year to establish a resident unit?	22	21	1	-
6	Do you agree that, <i>for logging or static natural resources subject to short-term extraction</i> , a fee for one-time extraction represents the sale of an asset?	22	22	-	-
7	Do you agree that, <i>for logging or static natural resources subject to short-term extraction</i> , Illegal extraction should be recorded as uncompensated seizure?	21	19	1	1
8	Do you agree that, <i>for fish</i> , a fishing vessel becomes resident only if the operator establishes a base in the country in question, otherwise the residence of the vessel remains that of the operator, regardless of the area in which it is fishing?	22	22	-	-
9	Do you agree that, <i>for fish</i> , fish beyond the EEZ may be treated as assets if allocated by international agreement?	21	17	4	-
10	Do you agree that, <i>for fish</i> , permits to catch fish may represent assets in their own right?	22	21	1	-
11	Do you agree that, <i>for fish</i> , illegal fishing should in principle be recorded as uncompensated seizure?	21	19	1	1

Conclusions

4. The AEG members participating in the e-discussion overwhelmingly supported all except one of the proposed recommendations related to the right to use/exploit non-produced resources between residents and non-residents. One proposal — about whether fish beyond the EEZ should be treated as assets if allocated by international agreement — generated some disagreement.

An extract of comments made by AEG members is annexed.

¹ The question is misstated. Some members indicated that they agree with BOPCOM view (6) and other with the CG view (1) and others did not mention with which view they agreed (11).

Extracts of Comments Made by AEG Members in the Questionnaire

The original response and full comments are available on the UN website¹. The objective of this annex is only to give limited extracts to encourage readers to read the full comments of the AEG members.

Question 1 - Do you agree that all land must be owned by a resident unit, whether it is natural land or land improvements?

- There should not be resource-specific definitions for units other than the long established one for land. The principles for recognition of a quasi-corporation in cases of cross-border operations (Issue 25) should be sufficient.
- There has been not enough discussion on the rights or assets that fall under the control of sovereign powers. The questions on land, logging and radio spectra are too specific.

Question 2 - Do you agree that the lessor of land or buildings held under a financial lease must be a resident unit, notional if necessary?

- BOPCOM members felt that a one-year lease in the absence of substantial operations, accounts, etc. would not be sufficient to constitute a separate unit.

Question 3 - Do you agree that, for mineral deposits or static natural resources subject to multi period extraction, the issue of a licence establishes a sufficient centre of economic interest for the holder of the licence to be regarded as resident (the BOPCOM view) or must production start to establish this (the CG view)?

- A quasi-corporation will be recognized when preparatory expenses (e.g. licences) are incurred.

¹ <http://unstats.un.org/unsd/sna1993/topics.asp>