

ISWGNA Technical Level Meeting, Paris, 21, 22 September 2000

Minutes of the meeting

The meeting was hosted and chaired by OECD. The full list of participants is shown in Annex 1.

Agenda item 1: Adoption of the agenda

The agenda (see Annex 2) was adopted but with two changes. The first was to consider item 3 after item 6 because parts of the discussion on these earlier items could potentially impact on the issues to be covered under item 3. The second was to add an item into "other business" concerning the definition of the formal/informal sector split in SNA93.

Agenda item 2: Review of actions agreed upon at last meeting

Action	Responsible	By when	Comments
1) Reference list of NA books to be set up	All	End April	Robin Lynch had not been able to obtain any details of text books (see note below)
2) Next issue of SNA N&N			
a) Note announcing the changes to SNA93 for financial derivatives and classifications have been approved by UNSC	UNSD	May	Done
b) List of ISWGNA member web sites	UNSD	May	Done
c) Article: "When can a country claim it has implemented SNA93?"	OECD	30 April	Done
d) Article: "The effect on aggregates of moving from SNA68 to SNA93"	Eurostat	30 April	Done
e) Revised version of article: "Revision policies"	IMF	30 April	Done
f) Article: "Different techniques used in backcasting"	WB	30 April	Done
g) Details of EDGs and where to access them; address of ISIC Review web site.	UNSD	May	Done
3) Put through countries' comments on the proposed classification changes to SNA93	OECD	21 April	Done (see note below)
4) SNA93 "concepts" questionnaire			
a) Pilot test the questionnaire on some Member countries	ECE and ECA	July	Done
b) Ask ESCWA, ECLAC and ESCAP to pilot test the questionnaire on some of their Member countries	UNSD	End April	(See note below)

5) Produce proposal for ISWGNA website	UNSD	31 August	Not done (see note below)
6) Translations for the first SNA93 “amendments booklet”			
a) Russian translation of the whole booklet	IMF	During 2001	On track
b) Spanish and French translations of the derivatives section	Eurostat	ASAP	Not started
c) Spanish translation of the SNA93 Glossary	ECLAC	ASAP	Not completed - UNSD will check current status
d) French translation of the SNA93 Glossary	OECD	June	Done - expected to be published in late 2000 (see note below)
e) All other translations	UNSD	During 2001	On track
f) Examine processes required for releasing the booklet (copyright, ISBN numbers etc) and inform ISWGNA members	UNSD	May 2000	Not done (see note below)
7) Co-ordinate changes to the annual SNA93 questionnaire required because of the derivatives changes	UNSD, OECD, Eurostat	ASAP	Cannot be done yet (see note below)
8) Transfer costs EDG			
a) Put a note on the EDG indicating contributions will be accepted only until the middle of August	OECD	21 April	Done
b) Inform the moderator (Peter van de Ven) of the above decision	OECD	21 April	Done
c) Include an item in the next SNA N&N stating that contributions to this EDG will be accepted until the middle of August.	UNSD	May	Done
9) Put intellectual property inconsistency on agenda for September ISWGNA meeting	OECD	August	Done
10) Produce report for September ISWGNA meeting on the survey concerning approaches to accrual accounting for interest	IMF	August	Done

11) EDG on treatment of interest under high inflation			
a) Put note in next SNA N&N showing address of EDG, noting it is no longer password protected and contributions will be accepted until 31 August	UNSD	May	Done
b) Put a note on the EDG indicating contributions will be accepted until 31 August	WB	21 April	Done
12) Ask Statistics Canada for a paper on treatment of unfunded pensions of government employees for the OECD national accounts meeting in September	OECD	21 April	Not relevant - pensions of Canadian government employees are fully funded
13) Put stock options and e-commerce on agenda of next ISWGNA meeting	OECD	August	Done
14) Put list of all national accounts handbooks, manuals etc on the internet	UNSD	May	Not done (see note below)
15) Circulate OECD meeting papers on the consistency of national accounts and employment estimates	OECD	August	Not done (see note below)
16) Examine implications of producing a revised CD-ROM	UNSD	August	Not done (see note below)
17) Prepare next meeting in Paris	OECD	August	Done

Comments on matters arising

- 1) A new national accounts text book was released recently: "The New National Accounts: An Introduction to the System of National Accounts 1993 and the European System of Accounts 1995" (Publisher: Edward Elgar; ISBN 1 84064 157 6; price GBP 69.95)
- 3) UNSD is to write to Statistics Netherlands explaining why their comments were not included.
- 4) a) None of these UN Regional Commissions participated in the pilot test.
- 5) This proposal will be completed by 31 October and circulated by UNSD to ISWGNA members who are to provide comments on it as soon as possible.
- 6) The IMF proposed that a series of new items related to quarterly national accounts should be added to the SNA Glossary. The list of items will be drawn up by the IMF (with definitions included for as many as possible) and circulated to ISWGNA members by the end of October. They will provide comments by mid November on the items selected or any additional items they would like to see included. The IMF will finalise the definitions (based on the IMF's QNA Handbook) and circulate them by the end of November to ISWGNA members, who will have until mid December to comment.

- 6) d) The OECD agreed to e-mail a copy of the French version of the SNA Glossary to all ISWGNA members.
- 6) f) UNSD will send a checklist to all ISWGNA members by end October of the actions/processes required for releasing the booklet showing the changes to the SNA approved by the UNSC.
- 7) The SNA93 questionnaire cannot be changed yet to take account of the financial derivatives changes because of problems with the European Commission's acceptance of the proposed changes. Eurostat/OECD/ECE will look at whether or not changes can be made to the questionnaire to enable the main national accounting aggregates to be compiled on both a "before changes to financial derivatives" and "after changes to financial derivatives" basis. It is likely that an extra question will have to be included on the questionnaire to determine whether or not countries have changed their treatment of financial derivatives.
- 14) This list is to be included in the UNSD proposals for the ISWGNA website.
- 15) The OECD undertook to circulate these papers as soon as possible.
- 16) A consultant is to be hired by UNSD to produce a revised CD-ROM

Agenda item 3: Report of the ISWGNA to the Statistical Commission 2001

The draft report to the 2001 meeting of the UN Statistical Commission was discussed. Various suggestions were made regarding drafting changes. A number of people volunteered to prepare revised versions of some parts of the text and to send these and updated lists of the meetings etc and manuals for which they were responsible to the UNSD by 2 October. The UNSD volunteered to put together a list of "City Group" manuals for inclusion as another annex.

Agenda item 4(a): Update of the 1993 SNA; Revision of chapter 18, Functional classifications

Following the discussions at the April ISWGNA meeting, the OECD revised chapter 18 and sent it to the UNSD to include in the booklet of SNA updates. The OECD was asked to send a copy of the revised chapter XVIII and associated changes to all ISWGNA members.

Agenda item 4(b): Update of the 1993 SNA; Mobile phone licences

A special ISWGNA meeting was held in Washington in June to discuss the national accounting treatment of mobile phone licences. The meeting had been called because Eurostat had to make a quick decision on this issue because of its implications for EU countries' national accounts. The outcome of the special meeting was that these licences should be treated as intangible non-produced assets in their own right (see Annex C for a copy of the report of the special meeting). Two important conclusions reached in making the decision were that:

- the spectrum itself is a tangible non-produced asset
 - the SNA does not have to be changed to handle this
- transferability is a sufficient condition, but not a necessary condition, for identifying something as an asset
 - transferability was specifically mentioned in SNA93 in the context of identifying a market price.

During the week after the special ISWGNA meeting, Eurostat discussed the issue at a CMFB meeting and then announced its decision to treat these licences as assets in their own right, in accord with the ISWGNA decision. The only difference between the Eurostat and the ISWGNA treatments is that Eurostat set a threshold of a minimum 5 years life before the licences would be treated as an asset while the ISWGNA had stayed with the SNA criterion of 1 year. The meeting felt it would be useful to

continue research into some issues related to the mobile phone licences. In particular, the issue of “writing off” the licences through the other changes in volume account is considered to be an area where research should continue. The IMF is currently investigating possible alternatives.

The treatment of these licences was also discussed at the OECD national accounts meeting. A paper presented by the UK Office for National Statistics (ONS) made a case for payments for the UK licences to be treated as rent. Possible implications for other parts of the accounts were also considered. Following this session at the OECD meeting, the ISWGNA met again briefly to consider the issues raised during this discussion. Everyone agreed that nothing new had been added to the debate since the special meeting held in June and so the decision made at that time did not need to be changed. The ONS had requested that an EDG be set up to continue the debate on mobile phone licences. The ISWGNA agreed and the OECD offered to set up the EDG on its national accounts website towards the end of October.

The way in which the mobile phone licences issue arose so rapidly showed that the ISWGNA should think more about emerging issues which may require an interpretation of the SNA or a change to be made to the SNA.

This issue will be covered in an SNA News and Notes (Number 12) article to be written by the OECD.

Agenda item 5(a): Milestone assessment: Quality

At its April meeting, the ISWGNA briefly discussed quality issues associated with the proposed new approach to milestone assessment. That meeting decided to monitor progress in the IMF work on developing a framework for assessing quality in the national accounts. The IMF held a meeting in June, which discussed a draft framework in detail. The outcome was a lengthy checklist of points that would enable the overall quality to be assessed. Work is currently under way to pilot test it. The results of this pilot test and additional comments will be discussed at a meeting to be co-organized by the Korean National Statistical Office and the IMF in Korea in December 2000. The IMF will present a report on the results of the pilot test to the April 2000 meeting of the ISWGNA.

In addition, paralleling the work on national accounts, draft quality framework have been developed for balance of payments, government finance, analytical accounts of the central bank, and price statistics.

Agenda item 5(b): Milestone assessment: Pilot testing of questionnaires on compliance with SNA93 concepts and scope

At the April meeting, the ISWGNA developed a “compliance check list” and a “scope” questionnaire which were designed to indicate whether or not a country had implemented SNA93. ECE and ECA volunteered to pilot test these questionnaires and the UNSD was to request ECLAC, ESCWA and ESCAP to also pilot test them in their regions.

The questionnaire was sent to 18 countries by ECE and to all African countries by ECA. The results were mixed. ECE received 16 responses and the outcome was generally satisfactory. The results are useable but it is apparent that some of the compliance questions were not fully understood, particularly those relating to the production boundary of households. In addition, the ECE delegate suggested changing the term “not applicable” to “not significant” because of a degree of ambiguity in the term “not applicable” when associated with some questions.

There were more significant problems in Africa. Only 14 responses were received and 12 of those indicated that the countries concerned were still compiling their accounts according to SNA68. ECA made some suggestions as to the ways in which some questions needed to be changed. UNSD informed the group that, at the joint UNSD/ECA Workshop on National Accounts to be held in Addis Ababa from 20-24 November 2000, UNSD is including a training session on the new milestone assessment and will explain the compliance checklist and the new scope questionnaire suggested by the ISWGNA.

The “scope” questionnaire caused more difficulties to countries despite it appearing to be more straightforward than the compliance checklist. It is clear that a better presentation of the purpose of the questionnaire is required. The meeting agreed that the questions on the compliance checklist should be changed in the light of the ECE and ECA testing and that an improved covering letter should be developed before the questionnaires are sent out world wide. The OECD is to revise the wording of the compliance checklist questions and circulate the new questionnaire to ISWGNA members and to draft a covering letter for both questionnaires based on the wording used by ECE in its pilot test.

It is apparent that the compliance questionnaire, despite its teething problems, shows a more comprehensive picture of what is happening than the old milestones, but producing an overview will not be straightforward. The most logical way of summarising the results will be in the form “x out of y countries in such and such a region answered ‘yes’ to a significant proportion of questions and so it appears that z% of countries in this region have implemented SNA93 to a significant extent”.

The UNSD announced that they wished to use the compliance checklist as an integral part of the annual SNA questionnaire in order to better assess and inform users of international data series of the extent of 1993 SNA implementation by those countries that claim to have implemented it.

Agenda item 5(c): Letter from John Walton

The meeting considered a letter sent to the Chair of the ISWGNA by John Walton. The letter pointed out, correctly, that the reference in the compliance checklist to “life insurance” should be to “non-life insurance”. The ISWGNA acknowledged that the checklist is currently incorrect in this regard and it will be amended.

The main part of the letter covered the issue of treating reinsurance. The ISWGNA considered that this issue is an important one but should be considered as part of an ongoing research agenda rather than in the context of the milestone assessments. The OECD, as chair of the ISWGNA, is to send a reply to John Walton thanking him for pointing out the error in the checklist and informing him of this last point.

Agenda item 6: SNA conceptual questions and electronic discussion groups (EDGs)

The ISWGNA set up several EDGs a couple of years to encourage debate on a number of interesting conceptual issues. The response has been patchy. Despite some short bursts of activity, generally the number of people contributing to the EDGs has been disappointingly small. In addition, they tend to be almost exclusively from developed countries. However, in the light of papers being presented at next week’s OECD national accounts meeting on several of the issues covered by the EDGs, it was decided to keep them open until the next ISWGNA meeting rather than closing them off this month as had been proposed at last April’s meeting.

Agenda item 6(a): EDG on treatment of transfer and improvement to land

A paper on this topic is being presented at the OECD national accounts meeting next week and so it was decided to wait until the April 2001 ISWGNA meeting to make a decision on when to close down this EDG.

Agenda item 6(b): EDG on accrual accounting for interest

A Bank of England paper is being presented on this topic at the IMF’s Balance of Payments meeting in October. The ISWGNA thought that a moderator needed to be appointed to summarise the discussion prior to closing down the EDG. The IMF is to send the name of a suitable moderator to the other ISWGNA members for approval.

Agenda item 6(c): Conceptual question - intellectual property inconsistency in SNA93

The inconsistency in the SNA93 treatment of intellectual property was covered in an article by Peter Hill in the May 1997 issue (number 6) of SNA News and Notes. The conclusion of the article was that it would be difficult to change SNA93 to remove the inconsistency because of the flow-on effects and that “it may be necessary to continue to live with the inconsistencies for the time being, but they should be recognised as inconsistencies”. The ISWGNA decided that it would be too difficult to change the SNA to rectify this inconsistency and we should live with it until there is a major redraft of the SNA. This decision will be notified by the UNSD in the next SNA News and Notes.

Agenda item 6(d): Conceptual question - unfunded pension funds for government employees

The ISWGNA decided that this issue covers more than the government sector. Including all unfunded pension funds in the national accounts has potentially important implications for policy makers. However, the underlying conceptual problems will be difficult to resolve and so this topic should be put on the SNA research agenda.

Agenda item 6(e): Conceptual question - stock options

This topic will be discussed next week at the OECD national accounts meeting. No action is required at the moment unless something unexpected comes out of that discussion. A brief article will be written by OECD for the next SNA News and Notes.

Agenda item 6(f): Conceptual question - e-commerce

E-commerce is the subject of a detailed research agenda outside the national accounts. Work in the UK, USA and Canada has shown it is a relatively small part of GDP, although growing rapidly at present. It is not a major conceptual issue per se for the national accounts. Rather, the main problem for national accountants is obtaining adequate source data. The ISWGNA will monitor developments to determine if anything special needs to be done in the future.

Agenda item 6(g): EDG - measuring real interest

Robin Lynch is the moderator of the EDG on this topic. He is presenting a paper at next week’s OECD national accounts meeting comparing the alternative approaches being debated on the EDG. While there is little activity on the EDG, it was felt worthwhile to leave it open until the next ISWGNA meeting in case the paper to the OECD meeting resulted in increased activity on this EDG.

Agenda item 7: SNA News and Notes

Issue 12 of News and Notes - action required

- The OECD will provide articles on mobile phones, share options, the “Manual on Statistics of International Trade in Services” and the framework for tourism satellite accounts developed jointly by OECD, WTO and Eurostat.
- UNSD will write a note on the ISWGNA decision to live with the inconsistency in SNA93 regarding the treatment of intellectual property.

Issue 13 of News and Notes - articles

- Eurostat’s manual on prices and volumes (Eurostat)
- The March 2001 UNSC decision on milestones (UNSD)
- Data quality issues (IMF)

- The SEEA manual (OECD)
- Launch of the ISWGNA website (UNSD).

Agenda item 8: Handbooks and manuals

Based on information supplied by ISWGNA members, the UNSD will update the list of handbooks and manuals contained as an attachment to the ISWGNA report to the UNSC and circulate this list for checking in October in conjunction with the final draft of the report.

Agenda item 9: Meetings, training and seminars

Each organisation agreed to update its part of the list of meetings, training and seminars and send it to the UNSD to include in the attachment to the ISWGNA report to the UNSC.

Agenda item 10: Status of national accounts questionnaire and data transfer between Eurostat, OECD, UNECE and UNSD

The ECE announced that they have translated the UN national accounts questionnaire into Russian.

In the past, UNSD was responsible for collecting national accounts data from all countries other than those covered by Eurostat and the OECD. ECE has recently taken over responsibility from UNSD for collecting the national accounts questionnaire from all ECE members countries. Following the success of this trial, the UNSD is going to progressively devolve the national accounts questionnaire collection to its regional commissions. ESCWA and ECLAC will probably be the next two to take over the collection.

The OECD and Eurostat agreed to draft, by the end of December 2000, a short paper on the implications of changing to the new treatment of financial derivatives in the SNA93/ESA95 questionnaire.

Agenda item 11(a): Other business - detail collected for investment in SNA questionnaire

The OECD reported on some recent work which required a more detailed dissection of gross fixed capital formation (GFCF) than is currently available from the Eurostat/OECD questionnaire, particularly in the areas of computer software and hardware. In addition, the draft capital stock manual recommends a more detailed split of GFCF than that currently included in the questionnaire. The meeting agreed that it would be useful to include this extra detail in the annual questionnaire rather than collecting it on an adhoc basis. The OECD will send a proposed new split of GFCF to Eurostat.

Agenda item 11(b): Other business - query by the Thai Central Bank on non-performing loans

The OECD, as chair of the ISWGNA, received a request from the Thai Central Bank concerning the treatment of non-performing loans. The OECD circulated the request to other ISWGNA members for comment. Broadly, the issue is that the Thais have included in the gross output of the banking sector the interest that is implicitly charged on non-performing loans (NPL) of less than 1 year duration. Since the amount of the NPLs is comparatively large (the amount involved being potentially as high as 25% of GDP) including the interest on NPL in the output of the banking sector would potentially affect both the value and movement of GDP. They feel that including these amounts, which are unlikely to be collected, is leading to distorted rates of growth being recorded in the Thai national accounts.

The ISWGNA considered the main problem is actually identifying those loans which will be non-performing in the longer term. It is clear that interest should not be recorded for loans if that interest is never likely to be collected because accrual-based accounting only makes sense when the amounts are ultimately paid. In practice, banks charge higher interest in the longer term than would otherwise be the case to compensate themselves for bad debts on NPLs. Therefore, amounts which are never likely to be

received should not be included in the output of the banking sector. If the problem is with NPLs in the business sector, then GDP will not be affected (unless there are significant amounts involving non-residents) because any overstatement of output in the banking sector will be offset by the corresponding overpayments being included in intermediate consumption. However, the relativities between banking and the other industries would be distorted. Although the question did not explicitly say so, the implication of the statement that GDP is overstated is that FISIM is allocated to final expenditures. In addition, significant amounts of the non-performing loans must be being recorded in either household final consumption expenditure (assuming that government is not a “non-payer”) or exports.

The OECD is to draft a response to the Thai Central Bank to seek some clarifications on their problem. The Thai response will be circulated to ISWGNA members for comment.

Agenda item 11(c): Other business

SNA93 defines a formal/informal sector split based largely on ILO definitions. The ISWGNA was asked by the team developing the handbook on the non-observed economy whether or not the formal/informal split is exhaustive in SNA93 terms (in other words, whether there is a third category outside formal and informal).

The meeting considered that the formal/informal split is more a social/demographic issue than something which is economic policy oriented. Some doubt was cast on the usefulness of this split for national accounting purposes. Unlike other types of classifications, the formal/informal split is not based on objective criteria which are broadly consistent from one country to another. Therefore, it makes no economic sense to classify parts of the economy to formal or informal for analytical purposes. In addition, the split can be based on different criteria which are not mutually exclusive (eg, size of the business, whether or not the unit concerned is paying taxes, whether or not it is included in a business register etc).

The meeting also felt that there is a tendency to use “formal” as a proxy for the “observed” economy and “informal” for the “non-observed” economy. This is misleading because it is possible to have a non-observed part of the formal economy (eg, sole traders in countries whose business registers are based on records of units registering to pay employee taxes). The ISWGNA felt that it is more analytically useful to identify and group units on the basis of more objective criteria such as large shops versus markets versus street traders within retail trade.

Next year’s meetings

It was agreed that the SNA research agenda should be examined during 2001 to determine if anything should be added in to the list (or dropped). It would be useful to examine the feasibility of documenting problem areas in practice as part of the rolling update of the SNA.

The next meeting was set down for Monday and Tuesday 9, 10 April 2001 in Washington (the IMF will be chair of the ISWGNA next year).

The OECD said that it was proving difficult to have the ISWGNA meeting in the week prior to the OECD national accounts meeting because of the work involved in dealing with last-minute problems that inevitably arise. The IMF, World Bank and UNSD preferred the two meetings to be held in conjunction with each other because it significantly reduced their travel costs. The ISWGNA agreed that, in future, the autumn meeting should be held on the Monday and Tuesday in the week after the OECD national accounts meeting. This means that next autumn’s meeting will be held on Monday and Tuesday 15, 16 October 2001. It will be hosted by the UNECE in Geneva.

ANNEX 2: Draft agenda

ISWGNA Technical Level Meeting

Paris, 21-22 September 2000

Agenda

- 1. Adoption of Agenda**
- 2. Review actions agreed upon at the last meeting**
- 3. Report of the ISWGNA to the Statistical Commission 2001**
- 4. Update of the 1993 SNA**
 - (a) Revision of Chapter 18. Functional Classifications
 - (b) Mobile phone licences
- 5. Milestone assessment**
 - (a) Quality
 - (b) Pilot testing of questionnaires on compliance with SNA93 concepts and scope
 - (c) Letter from John Walton (see attached)
- 6. SNA conceptual questions - Electronic discussion groups**
 - (a) Treatment of transfer costs and improvement to land
 - (b) Accrual accounting for interest
 - (c) Intellectual property - inconsistency in SNA
 - (d) Unfunded pension funds for government employees
 - (e) Stock options
 - (f) E-commerce
 - (g) Real interest
- 7. SNA News and Notes**
- 8. Handbooks and manuals**
- 9. Meetings, training and seminars**
- 10. Status of National accounts questionnaire (SNA 1993/1995 ESA) data transfer between Eurostat, OECD, UNECE and UNSD**
- 11. Other business**
 - (a) Detail collected for investment in SNA questionnaire
 - (b) Non-performing loans (Thai Central Bank problem - see attached)

ANNEX 3: Report of special ISWGNA meeting on the treatment of mobile phone licences

Inter-Secretariat Working Group on National Accounts

Report of special meeting to consider the treatment of mobile phone licences Washington, 23 June 2000

Present: OECD - Paul McCarthy (chair), Anne Harrison
IMF - Adriaan Bloem, Paul Cotterell, Neil Patterson, Rob Dippelsman, Nils Maehle
Eurostat - Brian Newson
UNSD - Jan van Tongeren
WB - Barbro Hexeberg

1. The special meeting was called specifically to discuss the treatment of mobile phone licences, which have become an important issue given the number of countries around the world selling licences that confer rights to use a given radio spectrum.
2. The meeting had available papers from the Eurostat National Accounts Working Party meeting which discussed this issue on 6 June, a summary of how several countries have decided to treat these licences, plus a position paper from the IMF. In addition, the OECD circulated a list of points for discussion.
3. The first point discussed was whether the licences should be treated as either taxes or payments for a service. Although some similar payments have been recorded as taxes, all participants agreed that neither this treatment nor payment for a service is appropriate.
4. The meeting then considered the options of treating the payments for the mobile phone licences as either a rent for the use of an asset or as the purchase of an asset by the corporate sector from general government. The main implication of treating the payments as a rent is that the only asset in question is the radio spectrum; the implication of treating the payments for use of the spectrum as the purchase of an asset is that an additional asset (the licence itself) is created by government and sold to the corporate sector.
5. The 1993 SNA defines an asset as “an entity over which ownership rights are enforced ... and from which economic benefits may be derived by their owners by holding them, or using them, over a period of time.” (para 10.2) The meeting concluded that the spectrum satisfies this definition of an asset. It is normally owned by government which can derive benefit from it by selling the right to use it. Provided that the licence is available for use for more than one year by the business(es) making the payments, the licence also satisfies this definition of an asset. In reaching this decision, the following issues were discussed:
 - Businesses clearly see such a licence as being an asset and the net worth of a business is increased by acquiring a licence.
 - Transferability of the licence is not important in determining its treatment because economic benefits may be derived by their owners by holding them regardless of their transferability. In practice, most licences are transferable either directly (by the business selling the licence to another business) or indirectly (through the business being acquired through a takeover). If further restrictions regarding transferability exist, e.g., that a licence is transferred back to the government in case of a business takeover, the licence should still be classified as an asset. (Such a restriction will be mirrored in a lower market value of the licence and so does not disqualify the licence from being treated as an asset.)

- The licence should be classified as an intangible non-produced asset because it is a “construct of society”. The licence is a separate asset from the spectrum itself, which is classified as a tangible non-produced asset owned by government.
6. Note that the above three bullet points all indicate that the licence is an asset and therefore the payments for it must be for the purchase of the licence itself. Therefore treatment of the payments as rent is ruled out because this would be applicable only if the spectrum is the sole asset involved.
- The spectrum is recognised as an asset at the time its commercial potential is established.
 - It is not necessary to assign a value to the spectrum itself although it may be convenient to do so simply as a means of showing this asset in the government accounts. (**Note:** The spectrum also exists as an asset owned by government. However, before the auction there is no value we can reasonably place upon it; at the time of the auction it is worth what the successful bidder paid for it, but the spectrum has at that moment no extra value over and above the licence. As the years go by the licence declines in value which reverts to the government's spectrum asset, such that after the licence expires the spectrum returns to its original value and government can re-offer use of the spectrum for another generation of licences.)
 - The licence authorising the use of the spectrum is created by government by virtue of its regulatory powers.
 - It may be desirable to specifically identify such licences as a special category within intangible non-produced assets along with other similar assets which arise from governments exercising their regulatory powers (e.g. fishing rights, taxi licences in some countries, emission trading permits).
 - Broadly, there are three ways of paying for the licence - a one-off upfront payment, regular payments at specified intervals, or a combination of the two. The meeting concluded that the means of paying for a licence is a financial issue and therefore is not a relevant factor in determining whether or not it is an asset. The accrual based time of recording is when the licence is issued.
 - If the licence is issued on a one year term, renewable at the discretion of the licence holder, it is to be regarded as the acquisition of an asset; if the licence is for one year or less, then it does not represent an asset and the payment should be recorded as rent.
7. The means of writing off the cost of a licence over the course of its life was discussed at some length. In contrast to the recording of consumption of fixed capital for produced assets, in the 1993 SNA, amortisation of intangible non-produced assets is not recorded in the current accounts but in the other changes of volume account. As a licence is amortised, the value of the spectrum to the government actually increases because the right to use it can potentially be sold again. The 1993 SNA recognises such reappearance of economic value and records it in the other changes in the volume of assets account. Not showing the write-off of the value in the current accounts is consistent with the treatment of other intangible non-produced assets, such as copyrights and so no change to the 1993 SNA is necessary if a decision is made to follow this route.
8. The meeting considered two alternatives to record the annual write-offs in the accounts, namely, (i) in the same way as consumption of fixed capital, and (ii) as other changes in assets. The meeting concluded that neither would be satisfactory for both the owner of the spectrum and the owner of the licence:
- If the write-off is not charged to the current account, the cost of the purchase is not recorded as a cost to the businesses concerned and so their net operating surplus is overstated.
 - If the write-off is charged to the current account of the licence holder, then an offsetting amount has to be shown as a current receipt to the spectrum owner. This increases government saving and will affect net lending or borrowing unless some further adjustment item is introduced into the capital account.

9. Therefore the meeting recommended continuing the 1993 SNA treatment of restricting the write-off to the other changes in assets account. This allows the increase in the value of government assets to be recorded as the expiry date of the licences approaches, consistent with a potential further “sale” of the right to use the spectrum for another period. Further, this procedure ensures a neutral effect on the overall economy for variables such as consumption of fixed capital, saving etc.
10. In conclusion, the meeting agreed that, although the issues related to these licences are not explicitly covered, the 1993 SNA should be followed for the reasons described above. However, an official interpretation for these and similar types of assets is desirable. Therefore this report of the special meeting should be circulated world-wide for comment as the first step required in the UNSC procedures for such an interpretation.

ANNEX 4: Summary of action items

Action	Responsible	By when	Comments
1) Write to Statistics Netherlands to explain why their suggested changes were not incorporated into the revised chapter 18 of SNA93	UNSD	Asap	
2) Circulate proposal for ISWGNA website to ISWGNA members for comment	UNSD	31 Oct 2000	
3) List of items to be added to the SNA Glossary			
a) Draw up list and circulate for comment	IMF	31 Oct 2000	
b) Provide comments to IMF on proposed items	All ISWGNA	15 Nov 2000	
c) Finalise definitions and circulate for comment	IMF	30 Nov 2000	
d) Provide comments to IMF on draft definitions	All ISWGNA	15 Dec 2000	
4) E-mail a copy of the French version of the SNA Glossary to all ISWGNA members	OECD	16 Oct 2000	
5) Send to ISWGNA a checklist of the processes required for release the booklet showing the changes to the SNA approved by the UNSC	UNSD	31 Oct 2000	
6) Circulate a copy of OECD meeting papers on employment	OECD	Asap	
7) Send revised text for the ISWGNA report to the UNSC and updated meeting etc and manuals lists to UNSD	All ISWGNA	2 Oct 2000	
8) Prepare a list of "City Group" manuals	UNSD	16 Oct 2000	
9) E-mail a copy of the revised SNA chapter 18 to ISWGNA members	OECD	Asap	

10) Present report of the quality pilot tests to the April 2001 ISWGNA meeting	IMF	April 2001	
11) Circulate revised wording of the compliance checklist questions and draft covering letters for this and the scope questionnaires to ISWGNA members for comment	OECD	16 Oct 2000	
12) Send a reply to John Walton	OECD	31 Oct 2000	
13) Find a potential moderator for the accrual accounting EDG; send details to ISWGNA members for comment	IMF	31 Oct 2000	
14) SNA N & Notes (issue 12)			
a) share options	OECD	16 Oct 2000	
b) mobile phone licences	OECD	16 Oct 2000	
c) manual on international trade in services	OECD	16 Oct 2000	
d) tourism satellite accounts	OECD	16 Oct 2000	
e) inconsistency in treatment of intellectual property	UNSD	16 Oct 2000	
15) SNA N & N (issue 13)			
a) prices and volumes manual	Eurostat	31 Mar 2001	
b) March 2001 UNSC decision on milestones	UNSD	31 Mar 2001	
c) data quality issues	IMF	31 Mar 2001	
d) SEEA manual	OECD	31 Mar 2001	
e) Launch ISWGNA website	UNSD	31 Mar 2001	
16) Provide details of proposed new split of GFCF to Eurostat	OECD	31 Oct 2000	
17) Draft response to Thai central bank on non-performing loans; circulate to ISWGNA members for comment	OECD	31 Oct 2000	
Draft paper on implications of changing in the SNA93/ESA95 questionnaire the new treatment of financial derivatives.	Eurostat and OECD	31 Dec 2000	