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CURRENT ISSUES OF THE IMPLEMENTATION OF THE 1993 SNA: TREATMENT OF MOBILE PHONE LICENCES

By Paul McCarthy, OECD

(For Information)

The amounts realised by some European governments in recent months from selling licences to use the radio spectrum for the operation of third generation mobile phones have been significant. In some cases, they are equivalent to two percent (or more) of GDP. An important question arises about how such licences should be recorded in the national accounts, a question which the 1993 SNA does not address specifically because the third generation mobile phone technology has been so recently developed. Eurostat was asked to make a decision by the end of June on the appropriate recording of the related transactions and so the ISWGNA held a special meeting on 23 June 2000 to discuss the issue.

Four options were considered for the treatment of the purchase of the licence:

- (i) payment of taxes
- (ii) purchase of services
- (iii) payment of rent
- (iv) the purchase of an asset.

Treatment as taxes was ruled out because the payments for licences are neither compulsory nor unrequited; indeed there is fierce competition to make the payment. The purchase of a service was also ruled out because the payments made are clearly out of all proportion to the costs to government of making the spectrum available to the licensee. By elimination, therefore, the licensee is acquiring access to an asset. The asset could be either rented by the owner or sold to the licensee.

The first question was the nature of the asset involved because the radio spectrum is not explicitly included in the 1993 SNA classification of assets. The ISWGNA

considered it fits best into the category of tangible non-produced assets, which are described as covering "mainly land and subsoil assets" (paragraph 7.87). In addition, the right to use the spectrum could be treated as a new asset separate from the spectrum itself. This asset, the licence in a narrow sense, is a legal construct and thus would be classified with other legal constructs as an intangible non-produced asset. The choice between options (iii) and (iv) above is thus between the rent of the spectrum (option (iii)) and the creation and purchase/sale of the licence as an asset in its own right (option (iv)).

Payments for the licence can consist of (1) an upfront payment, (2) regular payments at specified intervals, or (3) a combination of these two. The means of payment does not directly affect the classification as rent or purchase of an asset. The ISWGNA considered that the licence should be regarded as the acquisition of an asset if it is issued for a term of more than one year; if the licence is for one year or less, then it does not represent an asset and the payments should be recorded as rent.

In the 1993 SNA, intangible non-produced assets are described as consisting of "patented entities, leases or other transferable contracts, purchased goodwill and other intangible non-produced assets" (paragraph 10.130). Mobile phone licences are sometimes made available on the condition that they cannot be resold by the licensee to a third party. Does this mean that allocating the licence to the heading of intangible non-produced assets is invalid because it is not a "transferable contract"?

The 1993 SNA definition of an asset (paragraph 10.2) does not include transferability as a criterion for an entity to be classified as an asset although, as indicated above, the term "transferable" is included in paragraph 10.130 with respect to "... leases or other transferable contracts ...". Members of the ISWGNA who had been involved in writing the 1993 SNA confirmed that the term "transferable" was included in this paragraph as a sufficient, rather than as a necessary, condition to record an asset because it defines a time when a market value can be established for it. Thus, the licence itself is an asset because it provides economic benefits to its owners over a period of time. Even if the licence were strictly non-transferable and had to be relinquished to its original owner if the licensee were taken over by another firm, it could still be classified as an intangible non-produced asset in the hands of the licensee. In any case, the ISWGNA is of the opinion that most licences are transferable indirectly

(through the licensee being acquired by a take-over) even if they are not able to be sold directly

The ISWGNA reviewed this decision on 21 September 2000 at its regular bi-annual meeting in the light of papers being presented at the OECD meeting of national accounts experts in the following week. The ISWGNA considered that no new arguments were being advanced and thus the decision taken at the June meeting should remain its collective view. Also it considers there is no need to formally change the 1993 SNA specifically to handle this case though some clarification of the issues may be helpful.

An electronic discussion group (EDG) has been set up by the OECD on behalf of the ISWGNA to obtain views on this issue. It can be found under the "EDG" button at <http://www.oecd.org/std/nahome.htm>

CURRENT ISSUES ON THE IMPLEMENTATION OF THE 1993 SNA: TOURISM SATELLITE ACCOUNTS

By WTO, OECD, Eurostat, UNSD

(For Information)

In the early 1990s, both the World Tourism Organisation and the OECD independently started work to improve understanding of the socio-economic importance of the tourism industry. Both organisations drew on work initiated by some National Statistical Offices and built around the System of National Accounts 1993. Several years were necessary to agree on how to treat some difficult measurement issues and on a clear delineation of the tourism economy. In 1999, the "World Conference on the measurement of the economic impact of tourism" (Nice, France, 15-18 June 1999) recognised this early work but requested that a single tool for all nations be developed to measure the economic impact of tourism.

The World Tourism Organisation, OECD and Eurostat therefore created an Inter-Secretariat Working Group on Tourism Satellite Accounts to develop rapidly - on the basis of existing frameworks - a common conceptual framework for a Tourism Satellite Account. The objective was to present it to the thirty-first session of the United Nations Statistical

Commission (UNSC) between 29 February and 3 March 2000. They presented an agreed framework to the UNSC, which approved and adopted the "Tourism Satellite Account: Recommended Methodological Framework (TSA: RMF)" on 1 March 2000. This common conceptual framework is now in the process of being jointly published by the WTO, the OECD, Eurostat and the United Nations. It is expected that the publication will be made available in 2001.

The Tourism Satellite Account offers policy makers an overview of tourism in relation to other economic sectors, and enables comparisons to be drawn between the tourism industry and other industries. TSA: RMF is in compliance with national accounts principles. It sets a series of global standards and definitions that measure the industry's contribution to national economies in terms of percentage of GDP; jobs; capital investment; tax revenues; and allows the measurement of the role of tourism in a nation's balance of payments.

CURRENT ISSUES ON THE IMPLEMENTATION OF THE 1993 SNA: EMPLOYEE SHARE (STOCK) OPTIONS

By Paul McCarthy, OECD

(For Information)

It is becoming increasingly common for employers to reward their employees by giving them the option to buy shares (or stocks) in their firm at some future date. The offer is usually conditional on the employee serving a minimum number of years with the firm and it may be possible to exercise the option to buy only after a specified period has elapsed. In some countries, Finland being a good example, a small number of large firms providing such rewards to employees has a potentially significant impact on a number of key SNA aggregates. Should the award of a share option be counted as part of compensation of employees? Most participants at the 2000 OECD meeting on national accounts felt the answer is clearly "yes" but the subsequent questions of the point in time at which this

should be recorded and the value to be assigned are more difficult to answer precisely.

Another important question concerns the recording of the value of the shares that the employees eventually receive when they exercise their right to purchase. If the employer provides these by issuing new shares, there are implications for the net worth of the firm and pre-existing shareholders. Because of the growing importance of this matter, the OECD will prepare a position paper on the options available, the arguments for and against each of these, and the effects on the different accounts. The paper will be made available in early 2001 and will be put on the OECD national accounts website (<http://www.oecd.org/std/nahome.htm>)

DRAFT MANUAL ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES

By Eurostat, IMF, OECD, UN, UNCTAD, WTO

(For Information)

A Manual on Statistics of International Trade in Services (Manual) was submitted in November 2000 to the United Nations Statistical Commission for approval with publication planned to follow this approval.

The Manual is the result of the work of an interagency Task Force established by the United Nations Statistical Commission in 1994, and convened by the Organisation for Economic Co-operation and Development (OECD). Membership also includes Eurostat, the IMF, the UNSD, UNCTAD and the World Trade Organization (WTO). The United Nations convened an Expert Group in July 2000 to review the draft Manual and to recommend to the Statistical Commission the next steps to be taken with the Manual. The Experts represented both users and producers of statistics, including national statistical offices, data compilers, users from business and trade negotiators.

The Experts noted the importance of the Manual for the work on statistics on International Trade in Services and commended the Task Force for its work in preparing the draft of the Manual. The Experts recommended that the Task Force make a number of changes to improve the presentation of the Manual including a final editing before

its submission to the United Nations Statistical Commission in 2001.

They asked that the Statistical Commission consider future actions, post-publication, including a decision on which agency or agencies will be the international collector of data on Trade in Services and ways to further the implementation of the Manual as proposed below.

The Experts also recommended that:

- 1 a user's manual on data collection for International Trade in Services be prepared, supplementing already existing international compilation guidelines, which should have a priority in the medium-term plan for implementation of the Manual;
- 2 a procedure be put in place to assess the different phases of countries' implementation of the manual and record existing pilot projects for data collection. Information on methodological approaches and experiences should be accessible to all interested parties;
- 3 future development work focus on areas including telecommunications, financial services, internet related services and movement of natural persons and should engage producers and users of statistics.

- including trade negotiators, business users and statistical compilers;
- 4 the Statistical Commission encourage National Statistical Offices and Central Banks to allocate adequate resources for the successful implementation and further development of international trade in services statistics as proposed in the Manual.

The Manual was subsequently revised by the Task Force to take into consideration the conclusions and recommendations of the Expert Group and is being translated into all United Nations languages for submission and adoption by the United Nations Statistical Commission in March 2001.

Summary of The Manual on Statistics of International Trade in Services

This first Manual has been prepared to meet the needs of a variety of producers and users of statistics. A particular impetus for the preparation of a separate manual on statistics of international trade in services has been the recent tendency for international trade agreements to cover services as well as goods, and the need for statistics both to guide the negotiations relating to these agreements and to monitor the outcomes.

While the Manual broadens the statistical definition of international trade in services, it does so by building upon, rather than by modifying, internationally agreed standards for statistical compilation. It provides a framework and a set of recommendations that will allow for the provision of a range of statistics on international trade in services. These recommendations are summarized in Chapter 1 and elaborated on in the remainder of the Manual. Chapter 2 proposes the framework and describes its links to existing international standards and frameworks. Chapter 3 focuses on the compilation of statistics relating to resident-nonresident trade in services, building on the balance of payments framework described in the fifth edition of the Balance of Payments Manual (BPM5). Chapter 4 recommends standards for compiling statistics on "foreign affiliates trade in services", or FATS, drawing to a considerable extent on the concepts and definitions of the System of National Accounts 1993 (1993 SNA) in a way that is consistent with the expected recommendations of the forthcoming OECD Globalization Manual.

The Manual describes four modes through which services may be traded internationally. It does so by considering the location of both the supplier and consumer of the traded service. The first of these modes, mode 1 or *cross-border supply*, applies when suppliers of

services in one country supply services to consumers in another country without either supplier or consumer moving into the territory of the other. Mode 2, *consumption abroad*, describes the process by which a consumer resident in one country moves to another country to obtain a service. Further, enterprises in an economy may supply services internationally through the activities of their foreign affiliates abroad. This mode of supply, mode 3, is called *commercial presence*. The last of these modes of supply, mode 4 or *presence of natural persons* describes the process of supply of a service when the producer moves to the country of the consumer in order to provide the service.

The BPM5 framework contains, inter alia, recommendations for the definition, valuation, classification, and recording of resident-nonresident trade in services. By building on this framework, the Manual recommends extending the BPM5 classification of transactions by type of service to provide more detail through the Extended Balance of Payments Services (EBOPS) classification. A correspondence table showing the relationship between the EBOPS classification, version 1.0 of the Central Product Classification and the GATS Services Sectoral Classification is to be included as an annex to the Manual. This table assists in the provision of clear definitions of the various components of the EBOPS classification. Except for the treatment of construction services, the recommendations contained in the Manual are consistent with BPM5. Thus, a country's balance of payments statistics will provide many of the data that are needed to implement the recommendations relating to the measurement of resident-nonresident trade in services. Recommendations are made in the Manual on the attribution of resident-nonresident transactions across the modes of supply.

As well as providing services by way of trade between residents and nonresidents of an economy (measured in balance of payments statistics), enterprises in an economy may also supply services internationally through the activities of foreign affiliates abroad. The Manual recognizes this in its discussions on and recommendations for FATS statistics, which comprise the major part of the third mode of supply, commercial presence. Included are recommendations on (1) the selection of foreign affiliates to be covered (which follows the definition of foreign-controlled enterprises used in the 1993 SNA - this is implemented statistically as covering affiliates that are majority-owned by a direct investor); (2) the attribution of FATS statistics (including a discussion on attribution by

activity and by product); and (3) the variables to be compiled. While this is a less well-developed area statistically than the balance of payments statistics, some FATS statistics for foreign-owned affiliates in the compiling economy may be found in, or derived from, existing statistics on domestic production, including national accounts statistics based on the recommendations of the 1993 SNA.

The recommended basic FATS variables discussed in this draft of the Manual are: sales (turnover) and/or output, employment, value added, exports and imports of goods and services, and number of enterprises. Additional FATS variables considered relevant are also identified. The definitions of these variables are drawn from the 1993 SNA. For both resident-nonresident trade and FATS statistics the Manual recommends the compilation of trade by partner country

Finally one area in which the Manual moves beyond existing statistical frameworks is in the area where services in one country are provided by individuals (described as *natural persons*) from another country moving to the first country on a non-permanent basis. This area, which is part of Mode 4, is one in which countries make commitments under the

General Agreement on Trade in Services, and while some limited data are available from balance of payments statistics, there is a need for further development of statistics related to employment and income of foreign nationals. Consequently there is only limited discussion on, and recommendations for, compiling relevant statistics included in the main text of the Manual. A fuller discussion of the measurement of the movement of natural persons in relation to trade is included in Annex 1

The Manual proposes a phased approach to implementation so that countries, including those that are beginning to develop statistics on international trade in services, can implement these developments gradually and begin to structure available information in line with this new international standard framework. The sequence of elements, as suggested, takes into account the relative ease that many compilers may find in their implementation. However, the order is quite flexible, so that countries can meet the priority needs of their own institutions. Full implementation - to be seen as a long-term goal - would represent a considerable increase in the detail of information available on trade in services.

IMPLEMENTING THE 1993 SNA: INCONSISTENT TREATMENT OF PATENTS AND SCIENTIFIC ORIGINALS

By Cristina Hannig, UN Statistics Division

(ISWGNA official position)

An article written by Peter Hill was published in SNA News and Notes No. 6 clarifying the treatment of intangible assets, patents and copyrights in the 1993 SNA. The article concluded that there is a clear inconsistency in the way the 1993 SNA treats patents that confer ownership rights over scientific originals as compared with the treatment of copyrights that confer ownership rights over entertainment, literary or artistic originals. The main reason for this inconsistency is that the 1993 SNA treats all expenditures on research and development that create scientific originals as current expenditures. On the other hand, expenditures for creating entertainment, literary or artistic originals are treated as capital expenditures and the originals themselves are classified as produced intangible fixed assets. Since the expenditures on research and development (R & D) are treated as being consumed as they are produced, the resulting scientific originals cannot be treated as assets per se by the 1993 SNA. On the other hand, the 1993 SNA had to

recognize that assets do exist in this context and they had to be classified somewhere. The solution was to classify them as non-produced intangible assets. However, it was also decided to treat payments of royalties to holders of patents as payments of services which is inconsistent with both the classification of patented entities as non-produced intangible assets and with the decision to treat all R & D expenditures as current. The ISWGNA has recently re-discussed this issue and has decided to officially recognize this inconsistency in the 1993 SNA instead of proposing a change. The main reason for this decision is embedded in the ISWGNA mechanism for up-dating the 1993 SNA approved by the Statistical Commission. It was agreed that unless significant new economic developments have taken place, issues of a controversial nature should not be reopened if a deliberate decision was taken by the experts during the course of the revision process of the 1993 SNA and this was the case regarding this treatment.

FIRST GLOBAL RESULTS FROM IMPLEMENTING THE NEW UN NATIONAL ACCOUNTS QUESTIONNAIRE BASED ON THE 1993 SNA.

By Felizardo Suzara and Cristina Hannig, UN Statistics Division

(For Information)

As announced in SNA News & Notes No. 10, the new UN National Accounts Questionnaire based on the 1993 SNA was implemented by the UNSD for the first time in October 1999 requesting data up to 1998. Of the 208 countries included in the UNSD national accounts database, data for 56 countries were directly converted from the replies to the ESA95/SNA93 questionnaires implemented by Eurostat, OECD and/or UNECE. Of these 56 countries, 47 countries have officially claimed they have implemented the 1993 SNA. With respect to the other 152 countries to which UNSD sent directly the new questionnaires, only 8 countries have officially claimed they have implemented the 1993 SNA. Consequently, as of August 2000 only 55 out of 208 countries, that is 26.4 % of the total number of countries included in the UNSD database, have officially claimed implementation of the 1993 SNA. However, it is interesting to see that in terms of world share of GNI, the GNI of these 57 countries represent approximately 40 % of world GNI. This share will increase considerably when UNSD updates its database to include data recently submitted by USA to OECD based on the 1993 SNA (approx. to 67.8 %).

A large majority of countries have not yet officially implemented the 1993 SNA and for many of them the period of transition to the new system will take anywhere from 5 to 10 more years. From the point of view of the users this raises a concern regarding the international comparability of data between those countries that have adopted the 1993 SNA and those that are lagging behind. It is well known that the implementation of the 1993 SNA involves a series of changes to the accounts, concepts and classifications of the System that in one way or another affect the national accounts statistics compiled by countries. However, the following general considerations should be taken into account when using or analysing the new estimates based on the 1993 SNA:

- a) The changes have a limited impact on the movements and the level of total GDP and GNI as compared with the 1968 SNA. This is due to the fact

that most of the changes at the more disaggregated levels (i.e. final consumption, gross capital formation, exports and imports, etc.) offset each other at the level of the total economy;

- b) The changes in the level of GDP and GNI are generally upwards when countries move to the 1993 SNA but they can vary greatly from country to country, depending on the relative importance that certain new concepts may or may not have in the economy of each country;
- c) Certain countries may have decided on a one time overall methodological conversion from the 1968 SNA to the 1993 SNA while others are implementing or planning to implement the new concepts and classifications gradually in a phased manner over a certain period of time;
- d) Most countries when implementing the 1993 SNA also make benchmark year revisions to their accounts, greatly improving the sources and methods of estimation. This makes it very difficult or practically impossible to distinguish between the effect of the new concepts and the effect of the new and better sources and methods of estimation.

In view of the above, at the international level there is no straight forward criteria that can be applied to adjust either the 1993 SNA estimates to the 1968 SNA concepts or vice-versa in order to produce conceptually closer comparable series. Thus, for purposes of regional and global analyses as well as for administrative purposes as in the case of the UN Committee on Contributions, UNSD provides users with data sets that include the latest reported or published estimates for each country regardless of whether they are based on the 1993 SNA or the 1968 SNA. Clearly this dissemination policy gives more weight to the use of the most updated and reliable data available for countries rather than the most strictly conceptually comparable until a majority of countries implements the 1993 SNA.

PROGRESS IN IMPLEMENTING THE 1993 SNA IN JORDAN

By Kamil Al-Adhadh, UN ESCWA Statistics Division

(For Information)

The General-Directorate of Statistics (GDS) is the official Body responsible for the collection, processing and dissemination of official statistical data in Jordan.

The GDS through its Department of Economic Statistics (National Accounts Section) started since the mid 1990s preparing data sources and revising all relevant statistical questionnaires and other forms for the application of the 1993 SNA. In this direction the GDS cooperated with ESCWA which provided the technical assistance required by sending its regional adviser on national accounts and economic statistics on mission to Jordan for this purpose. The following were the major steps in the implementation:

1. A medium-term survey plan was proposed and adopted. This plan covers almost the entire spectrum of economic activities during the period 1999-2005;
2. A work-plan for the same period was proposed and is being implemented by stages for the actual construction of the integrated economic accounts (IEA) of the system;
3. Major revisions to some questionnaires of industry and some other activities are either being implemented or are in progress, in concordance with the SNA criteria and needs of statistical data for the building up of the IEA's;
4. The classification of institutional units and sectors was revised in light of SNA

recommendations, including slight modifications and is, presently, partially applied;

5. Complete integrated accounts for the General Government account were compiled, but are still to be refined with respect to the detailed classification of government by functions;

6. Complete integrated accounts for the Financial Sector were partially constructed, but still need to be reviewed, evaluated and completed;

7. Complete integrated accounts for the Non-Financial Sector are underway. At present, they are under review and evaluation by the ESCWA Regional Adviser on National Accounts;

8. The Household Sector accounts have not yet been attempted fully, but preparations are underway;

9. It should be noted that all integrated accounts attempted so far are up to the financial account, i.e. other accumulation accounts and balance sheets accounts have not been started yet because of data limitations at the present stage of statistical development;

10. A very serious and elaborated attempt is now in progress to complete CCIS (cross classification of industries and sectors) and SUT (supply and use table relating products to industries and to sectors, as well as to accounts).

MEETINGS, SEMINARS

11-12 December 2000: OECD/Eurostat Expert Meeting on Statistics of International Trade in Services, Paris

31 January - 2 February 2001: Seminar on Methods and Application of Purchasing Power Parities, Washington, D C

13-16 February 2001: ADB/ESCAP Concluding workshop on Re-basing and Linking National Accounts series, Bangkok

21-23 February 2001: WTO/ESCAP Regional Seminar on Statistics and Tourism Satellite Accounts, Bangkok

14-16 March 2001: Seminar on the new EU handbook on Price and Volume Measures in National Accounts organized by Statistics Netherlands and Eurostat, Voorburg, the Netherlands

March 2001: ESCAP Pacific Sub-regional Workshop on National Accounts, Suva, Fiji (date is to be determined later)

2-6 April 2001: Ottawa Group on Price Statistics, Canberra, Australia

May 2001: Extended London Group Meeting for review of complete draft of the System of Integrated Environmental and Economic Accounts (SEEA) 2000, Voorburg, organized by CBS Netherlands on behalf of the London Group

18-20 June 2001: UN Expert Group Meeting on International Economic and Social Classifications, New York

8–11 July 2001: UN Expert Group Meeting to review the Handbook on Non-Profit Institutions (NPIs),
New York
9–12 October 2001: Meeting of OECD National Accounts Experts, Paris

Editorial Note

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