

**Updating of the SNA-93,
issue 14b: COSTS OF OWNERSHIP TRANSFER (COT) II**

Advisory Expert Group's (AEG) recommendations of 12/2004:

The AEG agreed costs of ownership transfer on disposal of an asset should be written off over the period the asset is held. Installation and de-installation costs should be included in costs of ownership transfer if separately invoiced, and in the purchaser's price of the asset otherwise.

Terminal costs should be recorded as capital formation when they occur but the whole cost should be written off as consumption of fixed capital over the life of the asset, analogous to costs of ownership transfer on disposal.

When this recommendation on terminal costs cannot be followed for lack of adequate data, these costs should still be recorded as GFCF but written off as CFC in the year of acquisition.

German opinion:

We unfortunately cannot agree with the recommendations of the AEG.

In our opinion it is inappropriate (as a matter of principle) to write off in National Accounts (NA) expected expenditures on disposal and termination before they have occurred. Instead, they should be written off as consumption of fixed capital immediately when they occur in order to avoid special influence on Net Domestic Product. At least the possibility for terminal costs to treat them in this way should be possible for disposal costs, too. To have both possibilities and the high degree of uncertainty to estimate future costs for the "standard version" would not add to international comparability.

Installation, de-installation and transportation costs are typical for produced assets. They are part of the acquisition price (integral to the value) of the assets like COT in these cases (see issue paper para 5.ii). The only question is to treat them like COT regarding the period of writing off. In this respect it would make sense to write them off over the expected period of ownership. But they are part of GFCF and not separate available in GFCF of national accounts, even if they are separately invoiced in business accounts (COT are separate available in GFCF in Germany, but installation, de-installation and transportation costs not). That's why we are strongly in favour that these costs remain what they are: part of the acquisition costs, without special treatment of writing them off.

General comments: Measuring GDP at the time when production takes place should be the primary goal in NA. Speculation and expectations on future developments should be kept outside the the compilation process of NA as far as possible. The actual service life for nuclear power stations are 40 to 60 years. Do we really want to estimate what will happen and how much it will cost 40 to 60 years in advance in NA? In addition, such estimations could be highly sensitive to political decisions. Therefore Germany is definitely not in favour of such speculation.