The ISWGNA had included the treatment of cost of ownership transfer in its list of issues to be discussed in the context of the review of the SNA. This discussion was moderated by the Canberra II group (chair: Peter Harper, ABS, and secretariat: Charles Aspden, OECD). A first report was presented on this issue to the February 2004 meeting of the AEG. The AEG has decided to adopt the first two recommendations proposed by the moderator. The three other recommendations will be considered in the next meeting of the AEG (November 2004).

Background.

In the current SNA, cost of ownership transfers (COT) of non financial assets are included in the price of GFCF and are written off in parallel with the consumption of fixed capital of the underlying asset. But assets change hands frequently, often earlier than the life time of the asset. The current SNA proposes to write-off the remaining COT as an “other change in volume”. This may be considered to lead to an overestimation of net operating surplus.

Main recommendations.

The discussion in the Canberra II group centered around three options. The first of these was to treat all COT as current expenditure. The second option was to treat them all as capital expenditure but with changes in the time of recording so that there would be no need in normal circumstances to have entries in the other changes in volume accounts. The third option was to treat the COT on acquisition for the first owner as capital but all subsequent COT as current expenditure.

The group considered that it was essential to preserve the link between the value of an asset to an enterprise and the value of the services to be rendered by the asset over the length of time it is held. This implies maintaining COT to be treated as capital formation. The AEG approved this recommendation not to change the SNA on this point.

However, the group considered that rather than depreciate the COT over the lifetime of the underlying asset as proposed by the current SNA, the cost of ownership transfer should be written off over the period during which the acquirer expects to hold the asset. If expectation is met, this means that the COT will be entirely depreciated when the asset is resold, thus resolving the issue raised of overestimating operating surplus. The AEG approved this recommendation to change the SNA.