

For information of AEG members

Extracts of Minutes of the OECD Working Party on National Accounts, October 11-14, 2005¹

Paris, 2 December 2005²

The chair (François Lequiller, OECD Secretariat) welcomes delegates. He will chair once more this meeting because the Working Party has not yet been made official by the OECD Council³. As last year's, this year's meeting is dominated by issues linked to the revision of the SNA. Corresponding sessions are "for information" and shared with non OECD member countries of the UN-ECE region. A vice-chair (I. Tvarijonavičiute, Lithuania) represents these countries. During the sessions on the revision of SNA, the chair will in no case try to summarize the global opinion of the OECD countries, in order to avoid interfering with the established procedures for decision making in the SNA review process. This is why the present minutes will not contain, for these sessions, any sentence characterizing any "majority opinion" of the Working Party regarding SNA review issues.

Item 1. Progress report on the review of the SNA (Carol Carson, project manager of the 1993 SNA update)

Ms Carson thanked the OECD for hosting this discussion on the update of the 1993 SNA, she then spoke to her presentation.

Ms Anne Harrison (editor of the 1993 SNA) noted that the deadline for submission of proposals to clarify the 1993 SNA was the end of 2005, and she invited members to write down any proposals they may have and submit them by that date.

Denmark thought that the description given by Ms Carson of the decision reached by the AEG at its meeting in July 2005 on the subject of uncollectible taxes (issue 35) needed further clarification. His recollection was that although the AEG could not agree on how they should be treated, it did agree that they should not affect the government surplus/deficit.

Ms Carson responded by saying that her presentation was only a summary of what had been agreed. She said that the AEG had agreed on the general principle that taxes that had no chance of being collected should not be included in government revenue.

¹ These minutes only refer to interventions of delegates. They do not summarise presentations as all papers and power point presentations are available on the OECD web site:

http://www.oecd.org/document/5/0,2340,en_2649_34245_34870725_1_1_1_1,00.html

Items for which there was no discussion are not included in the present minutes.

² Minutes takers for the Secretariat include Charles Aspden, Jean-Pierre Dupuis, François Lequiller, Michèle Chavoix Mannato, Micheline Harary, Catherine La Rosa-Elkaim.

³ In fact, it was made official a few days after the meeting. Thus this is the last time the meeting will be entirely chaired by the Secretariat.

Item 2. Pension schemes

J. Ruser (BEA, USA) presents a power point summarizing the conclusions of the recent task force meeting. R. Mink (ECB) presents his joint paper with the Bank of England (called here ECB/BE position), reflecting the position of two European Union committees (FAWP and CMFB), which contradicts the conclusions of the task force.

Germany reiterates its opposition to record unfunded pension obligations as liabilities in the core accounts and therefore supports the proposals of the ECB/BE. In particular, he does not understand why one should record, for PAYG schemes, pension liabilities but not future contributions. A recent judgment of the high-court relating to pension of civil servants ruled that, while civil servants have an institutional guarantee of pension, they have no right to a specific amount (or formula) of pension.

Canada supports in general the task force recommendations, and welcomes the clarification on unfunded *versus* underfunded pension schemes. He proposed to qualify unfunded schemes not only at those having no invested assets but also those for which no liability is recorded. Canada already applies the recommendations in its core account which leads to a better measure of households' savings. In Canada, there is a funded social security scheme. Regarding the measure of output, it cautions against the use of holding gains. Canada is prepared to support the compromise proposed by the OECD, to record unfunded schemes in the core accounts but as a separate item.

Denmark's observations are directed to the ECB/BE position. It is not sound to make the recording in the SNA depend on business accounting principles which can differ between countries. Also, the argument that one should limit the amount of imputation in the core account is not convincing. The new SNA should be able to deal correctly in the core accounts with France Télécom like transactions, and this is not made possible by the ECB/BE position. Finally, Denmark could support the compromise proposed by OECD.

Spain is satisfied with the ECB/BE position which gives to users the information they need, while allowing adapting to the different institutional organisations of pension schemes between countries. Nothing is lost in having this information outside the core accounts, and comparability is improved.

Australia supports strongly the position of the task force, which improves the analytical use of the accounts, especially when there is a move from unfunded to funded schemes, or when there are transactions between systems. The main criterion to be used is whether there is indeed a liability, not the funding or unfunding. The experience in Australia has not been that there was a large volatility in the numbers, contrary to what is implied in the ECB/BE paper.

France (Banque de France) considers very important to record the liabilities of social security systems, because of their importance and because of the existence of transactions between systems. She finds dangerous to record these actuarially estimated liabilities in the core accounts, because it is difficult to describe a PAYG system only in terms of

financial assets and liabilities. The question immediately arises whether there is not also a contribution asset. It is better therefore to keep this type of accounting to supplementary accounts, which should be very complete. The solution used for FISIM in the first years of SNA 93 (supplementary accounts in Europe) should inspire us for this item, in a pragmatic way.

The Netherlands is torn apart between the majority of the European position and the personal position of the delegate. Finally, personally he would support the conclusions of the recent task force meeting in Washington. He thinks the argument of volatility is not a good one because it applies also for funded schemes. Also where is the borderline between unfunded schemes and largely under funded schemes? Thus it is very difficult to use the criterion of funding to justify the liability. He would agree on a criterion of quality of entitlement. In particular he accepts the argument of Germany that the ruling by the high court may be evidence that the quality of the entitlement for civil servants is not sufficient to meet the characteristics of a liability.

The OECD Secretariat states that there is no ideal criterion on which to base the existence of a pension liability: funded/unfunded is to be abandoned; direct employer contract/social security is not a clear cut criterion, in particular for multi employer scheme; legal entitlement/not legal has the shortcoming that it is not an economical criterion. This is why one has to show some pragmatism and accept a compromise that will ensure international comparability. The task force should also (1) accept the proposal to have similar accounts for social security in supplementary set of accounts, (2) address the issue of exchange of implicit pension liabilities (France Télécom case), (3) establish that government schemes for its own employees are always to be treated as employer schemes even if they are labelled as social security.

A. Harrison (editor of SNA) states that the correct approach is to focus on liabilities rather than to assets. The value of the property income should not be affected by the source of funding. It may be that holding gains are the source of property income, but this does not mean that we introduce holding gains in production. Turning to the German civil servant scheme, she is not far from agreeing that there is no liability there. However, it is important to ensure consistency between countries, but also within countries.

Portugal sees an advantage in the ECB/BE position to record these flows in a supplementary set of accounts, but insists it should be a compulsory account. It will allow undertaking sensitivity analysis without affecting the core accounts. However, Portugal can support the OECD compromise.

Belgium cautions against treating PAYG schemes as if they were individual saving scheme. This completely changes the reference of users of national accounts. Also, GG accounts are essential for the Excessive Deficit Procedure in Europe, and this procedure does not go with too much imputations and change of concept which will lead to confusion to users. It is better to limit this treatment to supplementary tables to acquire experience.

IMF supports the idea that there should be a compromise, which should be discussed by the European countries. The task force should explore better the delineation between social security and employer schemes. There is an anomaly in the present SNA: the only situation where a liability is recognised or not depending on the existence of an asset is in the case of pension schemes. The classification of financial assets could distinguish between different types of liabilities.

The United Kingdom sees liabilities of unfunded schemes as provisions (uncertain in value and timing) and not liabilities as defined by the SNA. The status of provisions should be clarified in the SNA. We should inspire ourselves from business accounting standards. However, we should not promote accounts that allow alternative balancing items (including household saving), which could undermine the status of national accounts.

After this first round of discussions, the two presentators have the floor.

R. Mink (ECB) states that exchanges of implicit liabilities can be reflected in the supplementary accounts, which contain all the information needed to users. The uncertain quality of actuarial data also leads to reserve this to supplementary accounts, where sensitivity analysis could be conducted. To put them in the core accounts is incompatible with the level of accuracy which is requested in Europe for GG accounts. In some countries of Europe, the obligation is stronger for social security than for civil servant schemes. He is opposed to the OECD compromise because it still treats differently government employees' schemes and social security schemes while in many countries they have the same characteristics. The paper to the AEG should present the two positions in a balanced way. The proposed change is a fundamental change of the SNA, and the situation is that we are split on this change, so the conclusion should be prudent and we should not make the change. European countries will go ahead with their own proposal.

J. Ruser (moderator, US BEA) responds that actuarial calculations already exist in the SNA for funded defined benefits schemes, thus the argument about imputations does not hold. The current delineation between funded/unfunded is clearly to be abandoned. In the US, most defined benefit schemes are largely unfunded, so where do you classify them? The arguments about the difficulty of choosing the discount rate can be easily overcome: for government pension, the long-term government bond rate is totally adapted and acceptable by all. He insists that there is no single European position: some European countries support the task force recommendations. Finally, everybody agrees that we must use actuarial calculations; the issue is whether to have them in core or supplementary accounts. The task force made significant progress in that it clearly recommended including the new treatment in the core accounts, but it accepted a compromise of showing these data separately for unfunded schemes. A. Bloem (IMF) ensures that the issue paper to the AEG will be balanced.

Denmark takes the floor to precise that if the decision is taken not to recognise the liabilities of unfunded schemes, one should absolutely treat the case of exchange of liabilities between schemes.

Item 3. BOPCOM review, concessional debt and debt rescheduling

J. Joisce (IMF) presents first the outcome of the BOP committee.

Starting from a question from Canada regarding the institutional sector of holding companies, I. Havinga (UNSD) adds some precision on the outcome of the meeting of the task force on ancillary units and holding companies. In particular, he states that the task force recommended to classify holding companies that have no significant production as “other financial corporations”. This contradicts the proposal of BOPCOM to classify these companies in the industry of its main resident subsidiary (because this allows to avoid having a loss of information in FDI statistics).

J. Joisce (IMF) notes that there is no mechanism to resolve contradictions between the national accounts and BOP communities. He then presents the two other papers on concessional debt and debt rescheduling.

The Netherlands has a problem with option 3 where concessional loans are valued at market value. The SNA records loans at nominal value. Even option 2, which may be adapted to international loans, poses problems for implementation in the domestic accounts.

Australia sees this as another example of where not treating loans at market value raises problems. He wonders whether these two issues are taken up by the Task Force on Harmonisation of Public Sector Accounts which is greatly concerned.

UNSD proposes to see it as a market loan which is written down.

J. Joisce responds that the core accounts will continue to record loans at nominal value.

Item 4. Final report of task force on financial services

P. Stauffer (moderator, OFS- Switzerland) presents the final report.

Australia makes a couple of clarifications. Regarding the recommendation to use a single rate, Australia’s interpretation is to use a single rate at the institutional unit level, or more practically for a group of units, such as banks. On the issue of volume estimation, it could have been more stressed that in theory the volume of services is provided globally, thus should be estimated globally, while its payment can be either explicit or implicit. Financial institutions may be changing the mix of explicit and implicit payment, without changing the overall volume of service. Also, the estimation of the volume of insurance services should remain on the research agenda. Finally, the name of FISIM should remain as it is.

The Netherlands supports the recommendations. However, in line with the remarks of Australia, the volume of financial services should be grasped as a whole, if we do not want to make mistakes when the mix between explicitly charged and implicitly charged change.

The chair confirms that, at this stage, the recommendations of the task force are final. The comments of Australia and Netherlands will be forwarded to the AEG, which will take final responsibility for the recommendations.

Item 6. ⁴ Progress report of the Task Force on the Harmonisation of Public Sector Accounts (TFHPSA) (Jean-Pierre Dupuis (OECD), secretary)

JP Dupuis spoke to his presentation. He began by explaining the background to TFHPSA – giving a brief history, its remit and its procedures.

The UK said that much of the work of TFHPSA had been concerned with clarifications and not changes of substance. However, one important change that had been proposed by the task force and that had been agreed to by the AEG was the recording of tax credits on a gross basis. This is in tune with what is recorded by accountants.

A. Harrison reminded Mr Dupuis that the deadline for issues papers for the AEG meeting starting 30 January 2006 was 18 November 2005. Hence any consultation must be concluded before then.

The UK expressed concern that the drafting of the chapter and annex on the public and general government sectors was not due to be concluded until March 2006, and therefore could not be discussed at the forthcoming meeting of the AEG.

France made the same point.

C. Carson said that the chapter and annex were intended to provide clarification and did not involve substantive changes beyond those already agreed by the AEG. There would be opportunity to review the material after it had been edited by the editor.

Item 7 Privatisations and SPVs⁵ (Jean-Pierre Dupuis (OECD), secretary TFHPSA)

JP Dupuis described the outcome of the previous week's meeting of the TFHPSA on these issues.

France asked where the discussion of SPEs could be found on the UNSD website. He then made reference to one of Mr Dupuis's slides concerning sectorisation. He said that in the 1993 SNA a defining feature of an entity, including a financial entity, to be a

⁴ Item 5 was the conclusion of the WPFS and can be found in the WPFS minutes.

⁵The terms special purpose vehicles (SPVs) and special purpose entities (SPEs) were used interchangeably by members.

corporation was its willingness to put itself at risk. Entities put themselves at risk in order to earn profits for their shareholders. He expressed concern that the task force on financial services was proposing to change this criterion in the context of financial corporations to one of 'managing risk'. He thought that this would be a more difficult criterion to apply in identifying financial corporations by the risk feature. This would have ramifications for determining whether an entity belonged in the general government sector or public corporations sector.

The UK would like clarification of how decisions made at the previous week's meeting in New York would feed into the SNA updating process. He then went on to argue that we should not bend the rules to accommodate government. In particular, when governments create SPEs, including those abroad, we should treat them as they appear and not bend the rules to suit government.

The Netherlands had a question on privatisations. He asked if the TFHPSA had considered some difficult cases, and he gave two examples. The first concerned the full or partial privatisation of a transport company that was obliged to provide unprofitable services under the terms of the sale. The second concerned privatisations in which businesses were sold at too low a price. It was important that the SNA should provide guidance in such cases.

The UK said that the privatisation issues raised by the Netherlands would be dealt with as part of the public/private/government sector delineation topic (issue 36), which discusses indicators for determining how transactions should be recorded. There may still be some holes, and this needs to be checked. He thought that the SNA should provide a full description of privatisations and give guidance on how to deal with them. In particular, it was important that the early stages of a privatisation needed to be considered. For example, it was quite common for a government entity to be made into a corporation with the issuance of shares and then, at a later stage, for these shares to be sold to the public until it was no longer a public sector entity. He restated his view that much of what Mr Dupuis had described was clarification, rather than change. He also picked up on a comment made by his UK colleague that we should not bend the rules to accommodate government. He said that at the recent TFHPSA meeting, they had tried to avoid doing that. Rather than changing the system to accommodate government, they were asking for more reporting from government to give a clearer picture of what was going on. He then congratulated Mr Dupuis on his excellent presentation.

The chairman, F. Lequiller (OECD), then sought to clarify the conflict regarding non-resident SPEs owned by government. On the one hand, BOPCOM wishes to treat them as entities resident in the country where they are located, as is the case for any other unit operating in a country's domestic territory. On the other hand, there is the fact that this can lead to an incomplete, or distorted, view of the government that owns the SPE. He proposed a solution in which the accounts of the non-resident SPE are re-routed to and consolidated with those of the government that owns it. He then asked for a response from Ivo Havinga (UNSD) who had moderated the recent meeting on units where this issue had been discussed.

I. Havinga referred to the minutes of the meeting to discuss units' issues. He said that they had not yet been finalised, but a draft had been widely circulated among those who had attended. He said the meeting had considered the particular case of an SPE 'selling' an 'asset', which was in fact a future revenue stream. In line with the decision made by the Canberra II Group in September, 2005, the meeting agreed that such a transaction was in fact a loan and not the sale of an asset. As no one at the units meeting was aware of any non-resident SPEs that had been created for a different purpose, the meeting did not consider any further cases. But the meeting agreed that if such cases did arise they should be dealt with on a case by case basis. However, the units meeting agreed on the general principle that non-resident SPEs should be treated as non-resident units. He then spoke about the subsequent meeting of the TFHPSA in which government SPEs sell bonds and use the money raised to undertake expenditures. He gave the example of a government SPE, IFIM, that had been created to purchase and supply vaccines to third world countries. The possibility of having such an SPE being recorded in the rest of the world was raised with some IMF members of BOPCOM, and they had no objection in principle. He said that he had then asked if they had any objection to a consolidation of a non-resident SPE with its government owner and was informed that they did, and he said he agreed with them. In his view, rather than a consolidation, the flows between the non-resident SPE and the government owner should be recorded. This matter is still under discussion between public finance and BOP statisticians, with a view to preparing a numerical example which would show all the flows that have to be imputed. The view of the various groups involved is that we should work within the rules of the SNA, and deal with SPEs on a case by case basis. It was not felt necessary at this point to breach the SNA rules, which is what is being proposed by F. Lequiller.

A. Harrison agreed with Mr Havinga's description of events. She said that the BOPCOM view was that non-resident SPEs differed from embassies and military bases in that they were subject to the laws of the country in which they resided, whereas embassies were subject to the laws of their home country. Non-resident SPEs were specifically created abroad to avoid the laws of the home country. Hence BOPCOM does not think they should be consolidated with their home government. Why should we make an exception for non-resident SPVs owned by government and not multinational corporations? Furthermore, it is not so easy to re-route. There is no production account for the external sector and so you would have to have the production taking place abroad and then impute the flows back to the home country. Government finance statisticians are content to have supplementary tables in which non-resident SPEs are consolidated with general government. So, there are two options have a re-routing which would affect the core accounts, or do a consolidation in a supplementary account.

Eurostat said that this issue was of major concern to them. I. Havinga's description of events agreed with his understanding, but he did not agree that government finance statisticians had expressed contentment with having two versions of general government accounts – one resident and one non-resident. The option of supplementary tables had been put forward at the TFHPSA meeting, but there had been no agreement and he thought it required further reflection. He said that it could be accepted that non-resident

SPEs be considered as entities residing abroad, as argued by BOPCOM, but their transactions “should” be either re-routed or re-assigned to their home economy. The EU has a system in which government finance statistics are fully integrated with the national accounts. In this sense, it was in advance of the rest of the world and he noted one of the UNSC’s directions for the update of the SNA was to minimise inconsistencies between the SNA and GFS. It was important to balance the needs of BOP and fiscal statisticians. In the case of IFIM, Eurostat decided that the unit was not incurring debt, and it was being sponsored by many governments. This decision had been supported by EU member governments. The problem was solved by treating IFIM as an international organisation. He recalled that I Havinga had said the concerns of the Eurostat and OECD could be accommodated.

Eurostat then observed that in the draft minutes of the units meeting there is a statement that ancillary corporations should be treated as institutional units. He objected to the word “should”. He said the SNA currently says that an entity which has the character of an institutional unit but which is ancillary in its output to another institutional unit should be not be treated as an institutional unit but consolidated with the latter. At the units meeting some people expressed the view that the “should” in the SNA should be replaced with “could” thus allowing ancillary units to be recognised as separate units in some cases. This is an important issue for Eurostat.

A. Harrison noted that we have had many meetings recently, with the decisions of some feeding into others. Not everyone is able to attend all the meetings, but it makes things difficult if such people want to revisit and change decisions that were made in a preceding meeting. Prior to the meeting of the TFHPSA there were extensive meetings, and it was there that public finance statisticians expressed their willingness to consolidate government accounts across borders and accepted that these would be inconsistent with the national accounts. Another SPV case had come to light which was different to that of IFIM. In this case, the SPV had been created overseas to raise money to buy tanks which would be deployed abroad. Most of us would regard this as a general government activity. The question is how to deal with it. Maybe re-routing is appropriate in this case. There are different types of SPV: those which are pure securitisation vehicles, those which might be undertaking expenditure on behalf of government, and those which are undertaking government production abroad. We should have one set rules that can be applied to all sectors of the economy and not special rules for government.

F. Lequiller expressed his concern that national accountants and public accountants should be compelled to ignore special government units created abroad in preparing government accounts, which would affect major aggregates. How can we explain to Treasuries that their accounts depend on the location of the SPV? Some clarification was needed that would allow good accounting in these cases. Also, BOPCOM had addressed the issue of concessional debt, but the TFHPSA had not. This issue clearly affects government and needs to be considered by the latter.

Jean-Pierre Dupuis responded to some of the issues raised. We might have to reconsider the issue of restructuring agencies considering managing risk criteria for financial

corporations. Regarding privatisation, there is a need to deal with the issues raised by Netherlands and he welcomed any contributions on this matter. With regard to the privatisations in Eastern Europe, this had already been addressed and will be covered in the manual.

Item 8. Earnings and funding of public corporations – capital injections/superdividends/reinvested earnings (Philippe de Rougemont (Eurostat))

P de Rougemont spoke to his presentation and described the outcome of the TFHPSA's deliberations on these matters.

The USA spoke in favour of the reinvested earnings approach for the public sector. It brings us closer to an accruals basis and has the potential to solve other difficult problems, such as those related to SPVs, at least in part. Should we extend it to other institutional sectors? In principle yes, but it would be difficult in practice. The costs would seem to exceed the benefits for the household and corporate sectors.

Australia, too, expressed support for the reinvested earnings approach for the public sector. He proposed the creation of a task force with the objective of clarifying the definition of income in the national accounts. It could address the issues raised for income by applying the reinvested earnings approach to the public sector, but even if the change is not supported by the AEG the work of the task force would be worthwhile.

The Netherlands expressed support for the reinvested earnings proposal, particularly when public enterprises were 100% owned by government.

The UK said that nearly all members of the TFHPSA are supportive of the reinvested earnings approach in principle, but acknowledge that there are some difficulties still to be resolved. Leaving the SNA as it is, is not really an option as it not sufficiently clear on these matters and needs to be changed in some way. There are two options:

- Tighten up the definitions of superdividends, etc.
- Introduce reinvested earnings approach for the public sector

The pros and cons of the two will be presented to the AEG. The majority of the TFHPSA members are leaning towards the first option because while they are attracted to the second in concept they are concerned about the unresolved difficulties in practice. If rejected, the reinvested earnings must be left on the research agenda, and may be introduced later.

Another UK representative pleaded for a clear exposition to the AEG of the principles of the two options in order to ensure a fully-informed decision.

F. Lequiller referred to the results of the OECD's survey of the classification of public units to be presented on the following day. It was evident from the survey that the definition of what are quasi corporations is interpreted differently by countries. In some countries thousands have been identified, while in others very few have been identified. Given this situation, it is important for international comparability that the transactions of

a public unit are treated in the same way whether it is classified as a quasi corporation or not. His understanding is that the TFHPSA will recommend the first of the two options noted by the UK to the AEG. He proposed a compromise whereby the reinvested earnings approach is recognised as being the appropriate one in principle, but practical difficulties generally make it difficult to implement in practice. This would leave open the possibility to apply the reinvested earnings approach in special cases when desired.

P. de Rougemont agreed with the second UK speaker that the paper for the AEG should draw on sound principles. A fundamental principle is 100% ownership. 100% ownership is different from less than 100% ownership, because the former allows transfer pricing which affects income and saving. When ownership is less than 100% and there is autonomy then it is clear that the unit is a separate unit.

JP Dupuis agreed with the first UK speaker that keeping the SNA as it is, is not an option. Two options will be presented to the AEG and it will decide. He agreed with P de Rougemont's views on quasi corporations, but disagreed with his view that a capital injection is always a capital transfer - even if shares are issued. He agreed that the issuance of shares is not a sufficient criterion for recording the capital injection as an increase in equity (F5), and other considerations are required to determine whether the injection is in a true commercial context.

Item 9. Progress report of Canberra II Group: C. Aspden (OECD)

It was reported that the Canberra II group on the measurement of non-financial assets had almost completed consideration of its list of issues. Its deadline is the end of November 2005.

10. Licences and leases: A. Harrison (SNA editor)

France requests the access to the new slides on the web site. The possibility of partitioning assets is often made with reference to IASB decisions: could this be clarified, in particular by those who have access to the internal proceedings of the IASB?

A. Harrison confirms that it is difficult to follow the changes of decisions of the IASB, in particular for PPPs.

Denmark does not understand the example given on house and rents. A. Harrison responds that the market price is the price actually paid for the house. This price is different if the house is occupied or not. She is trying to reflect this difference.

C. Aspden tries to clarify the case of land improvements. The AEG has agreed that one must distinguish the value of land improvements from land in its natural state- like the separation for building and the land it rests on. If it is not possible to clearly separate, check the bulk of the value and assign it to land improvements or to land.

Germany states that it is not more difficult to separate the value of land improvement from the one of land than for other structures and land. Through a concrete example taken

from Australia, she states that the issue of land vs land improvement should be treated exactly in the same way as building vs land beneath the building.

Item 11. Public-private partnerships or BOOT schemes (C. Aspden)

Canberra II group did not reach a conclusion. After an extensive consultation, no agreement could be achieved. The IASB is also reflecting on the issue.

The Netherlands questions why there could not be any agreement.

A. Harrison informs that the IMF Fiscal Affairs department is expected to issue a recommendation in the end of the year.

France states that PPPs are developing so fast in Europe – and the Eurostat recommendations so complex - that there would be the need to create a PPP post in every national statistical institute. This is why we should rely on business accounting standards.

C. Aspden reminds the audience that the Eurostat treatment faced disagreement from many non Europeans in the task force on at least one main aspects which is the economic ownership (too easily shifted to the private sector when the asset is giving services to the public).

The United Kingdom is disappointed by the conclusion, given the large number and financial importance of these PPP deals (700 in UK), but agrees that they are realistic. He agrees with France that is not possible for a statistical office to treat all these deals individually. Fortunately, the UK business standards are sufficiently close to the Eurostat rules. The solution is that our rules should be close to the business accounting rules.

C. Carson suggests that national accountants should make decisions on the basis of the information that they have at one point, and then, if the background changes, we can change.

The Netherlands thinks that the SNA can have differing standards than the business accounts, and that, in this case, NSOs should look at least individually at the largest PPP deals.

Items 13 and 15: classification and terminology of non financial assets and definition of economic assets (A. Harrison, SNA editor)

The SNA editor presents the proposed new classification of assets.

Germany asks a precision on the content of the category “military assets”.

France asks where is the background document which explains the proposed changes and regret that the discussion is not conducted further. He questions the abandonment of the

category “tangible” and “intangible”. He asks some precision on the category “permission to use natural resources”. Is it linked to the infinite life of these resources?

The Netherlands has two remarks on the classification. Should not some category (goodwill, and marketing assets) include in their title the term “purchased” or “revealed”? He questions the degree of detail of the classification of non produced assets.

The United Kingdom proposes that the “Research and Development “category should precise that we are looking for the products that come out of this activity, not the activity itself. There is too much details in the classification on non produced assets. He asks a clarification of government permits, which is not mentioned here.

Norway proposes to introduce a breakdown for land improvement.

The USA is confused on the status of this category of “improved land”. In principle, land improvements should be a separate asset, but associated with other structures, not land.

A. Harrison responds. On military, the idea is to regroup all military assets in the same category. On the synthetic paper, it is difficult to make a synthesis of the many papers that led to these proposals. There will be a full paper, with introduction and definitions for the AEG. On “tangible” and “intangible”, she would be in favour of describing these categories, but in an annex to the classification. On goodwill or when permit are taxes, the definitions that will be associated will explain the limitations of the asset. On R&D, we have dropped “patented entities” but are in search of a new title for the category. On land improvement, she will move to the expression land improvement, and understood that the objective is to have two separate categories land and land improvement. C. Aspden adds that he does not agree to the UK and to A. Harrison: all R&D expenditures are assets, thus we are recording the activity, similarly to mineral exploration.

Germany welcomes that all assets that are produced are classified as fixed assets but would prefer, as the US, that land improvements and structures be in the same category, and also with cost of ownership transfer (Germany has COT only on land). She would prefer that military assets are separated between buildings and equipment, for confidentiality reasons.

The UK insists that R&D leads to products that may be successful or unsuccessful. The latter are not assets. However, we cannot estimate them, so we use all expenditures to calculate a proxy of the former, but in principle unsuccessful R&D is not an asset, and this should be clear in the title of the asset.

The Netherlands agrees that the terminology should not point to the activity, and proposes to introduce the term “knowledge”. The product is “knowledge”.

A. Harrison thinks that the business accountants use the terms R&D, and thus she would be happy with keeping these terms. She asks written comments.

Items 12 and 14: Amortisation of non produced assets and asset boundary for intangible assets (C. Aspden, OECD)

France states that there is the need of a synthetic paper.

The USA is disappointed that the Canberra II group could not conduct further the treatment of leases on non produced assets. The current state of the SNA is not satisfactory. The recent proposal to refer to financial lease has the advantage of placing the saving in the sector where it belongs, and could resolve the current problem with the non recognition of the amortisation of the lease (which is treated in the other change in volume account).

Item 16. Top-top industry classification in the SNA: B. Cave (OECD)

This concerns the new aggregate classifications recommended by the new SNA. The AEG , OECD and Eurostat agreed on 10 categories (called “top-top”), and on an intermediate level of aggregation (38 categories instead of 31 in the present SNA.

Australia appreciated the consultation process and proposes that the new top top classification specifies a special category for owner occupied dwellings. He asks a question on the timing of the implementation of the new ISIC and the new SNA.

The chair considers that there is a large support for the proposals.

B. Cave agrees with Australia’s first point, and it will be taken up in the final paper to the AEG.

F. Lequiller (OECD) confirms that a consultation will be conducted among OECD countries on the timing of the implementation of ISIC and of the new SNA. A time table has been discussed within Eurostat, the OECD will consult non European countries.