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Reference: IIB/38199990-L

Wiesbaden, 30.04.2008  
Pages: 1

Subject: Revision of 1993 SNA  
Reference: Your letter of 3 March 2008

Dear Mr Cheung,

we appreciate to have the possibility to comment on the draft of chapters 1-17 of the future System of National Accounts (SNA).

First of all, we would like to highlight that we appreciate the attempts to improve the drafts after the compromise solutions found at the meeting of the UN Statistical Commission end February 2007.

We have the pleasure to transmit our comments relating to volume I of the future SNA (cf-annex). Particularly important to us are following items:

- practical problems to obtain data on illegal activities (p.6.42)
- introduction of rent on land as costs item (p.6.128)
- capital costs for non-market producers (p.6.123)
- FISIM compilation and interest rates (p.6.160 ff.)
- Treatment of R&D as GFCF (p.10.104).

On behalf of our Director of National accounts, we would appreciate if our proposed amendments are variously considered and taken into account in the updated SNA-1993.

With regard to the title of the revised SNA-1993, we would prefer to call it SNA 2008. Using SNA 2008 makes clear, that the national accounts impact of new economic developments as well as user needs have been taken into account.

Best regards,

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paragraph	problem	proposed solution
Para. 4.45	Deleted part of para. 4.52 of SNA-93 is very useful.	Please re-introduce the missing part of SNA-93 para. 4.52, which is : „It is assumed that the owner’s net equity in a quasi-corporation is equal to the difference between the value of its assets and the value of its other liabilities so that the net worth of the quasi-corporation is always zero in practice. The owner may invest more capital in the enterprise or withdraw capital from it by disposing of some of its assets, and such flows of capital must also be identifiable in the accounts of its own, however large it may be.”
Para. 4.118 b	The financing criterion in para 4.107 b of SNA-93 has been deleted.	Please re-introduce the financing criterion of SNA-93.
Para. 5.11 and 5.34	Two times the same description.	Please delete items a – d of para 5.11. Instead some examples from para 5.9 of SNA-93 could be re-introduced.
Para. 6.42	An important part of para. 6.30 of the SNA-93 has been deleted, which indicated the practical difficulties in obtaining data on illegal production.	Please re-introduce the deleted part. Please add a reference to problem of double-counting (smuggled cigarettes from will usually be covered by settlement statistics, criminal activities need to de disguise as legal activities asf.) Please add that in practice a decision has to be made between accuracy and exhaustiveness of the NA-figures.
Para 6.67, figure 1	Unclear what is meant by “...including VAT not deductible by the producer,”	- Please delete this part of the item. - It would be useful to explain the market price in this context as well.
Para. 6.123	Contradiction with the compromise solution, i.e. not to introduce capital costs for non-market producers.,	Delete point d of 6.123.
Para 6.128	Concept: If rent of land is to be included in the sum of costs, an output of the landlord has to be recorded as well !!! In addition, such a fundamental change was not accepted by the AEG.	Delete item d. of para 6.128.
Para. 6.160 – 6.166	The central question is, whether the absolute difference between the reference rate and the actual interest rates can be interpreted in total	The wording of the draft paras. 6.160 to 6.166 has to be amended to be in line with the AEG-recommendation, which is:

	as remuneration for a service. In our view, there is a remuneration for risk assumption included, which does not represent a productive activity as no input of labour and/or capital is needed.	"The SNA should not be too prescriptive about a single reference rate and should refer to something like" an appropriate reference rate" instead" (from: Report, Financial services, par. 402, p.80)
Para. 6.182 and 6.191	Excluding "commissions" (in German "Vermittlungsgebühr") from premiums is problematic as these commissions come up with the remuneration of insurance agents, i.e. their output. Therefore these commissions should be included in premiums earned and subsequently recorded as intermediate consumption of the insurance enterprise. Otherwise in NA policy holders would be treated as if they pay these commissions directly to the insurance agents, which does not reflect the actual flows.	Commissions should not be deducted from premiums, but be recorded on a gross basis.
Para. 6.186	Treatment of payments resulting from exceptional claims as capital transfers could be clearer	At least add at the end of this para. "(cf. 10.207)", i.e. the paragraph where the description is provided.
Part 6-H	The code for capital consumption has been changed from K1 to P6.	Since capital consumption is not a product transaction, wouldn't it be better to keep K1 or use a D-code?
Para. 10.104	The treatment of R&D as GFCF does not reflect the compromise solution of the UN Statistical Commission	Please add to this paragraph: "R&D continue to be treated as intermediate consumption, until an appropriate level of reliability is reached".
Table 14.12	It looks like that there are two mistakes in table 14.12:  1. row 11 is missing in the supply part of the table 2. within the middle part of the table (use part) the entry in row 12/ column 1 (Cif/fob adjustment) should be "0" and the entry in row 13/ column 1 (direct purchases abroad) should be "43".	Please correct the table.
Para. 17.183:	The part on the criteria to distinguish between those pension schemes covered by the core accounts and those shown in the supplementary table should be a bit more elaborated..	Please introduce a new paragraph after 17.183, starting with the last sentence of present para 17.183, i.e "Providing a single set of..." and add the following part: "The distinction between those schemes whose entitlements are carried forward to the core accounts, and those which are not, should be based on an analysis of the characteristics of the individual pension schemes. The analysis should take into account several criteria - the closeness between government employer pension schemes and social security pension schemes, for example through

		the legal or financial integration of the government employer pension scheme with the social security pension scheme, the funding and risk aspects of the scheme, the nature of the contract, and the ability of governments to change the benefit formula. Whilst no single criterion may be decisive, the analysis should examine these criteria to obtain a balanced view. There should be full transparency of the reasoning for core and non-core recording."