



Statistics Netherlands

Division Macro -economic Statistics and Publications

To: **ISWGNA**
From: **Peter van de Ven**
Subject: **Review of Volume I of the Updated System of National Accounts**
Date: **29 April 2008**

Dear All,

Please find enclosed a number of questions and remarks by Statistics Netherlands in relation to the final draft of Volume I of the Updated System of National Accounts (SNA). Before going into detail, I would like to compliment all persons involved in the update of the SNA. In our opinion, a remarkable amount of high quality work has been completed in a short period of time.

Para. 6.128: We can not agree with the inclusion of rent on land in the valuation of non-market output. This is a clear deviation from the 1993 SNA that is not part of one of the 44 issues agreed upon. It will result in a small, rather difficult to explain net operating surplus for general government.

Para. 6.135: Here, it is stated that the decline in value of plants and animals that have reached maturity should be recorded as consumption of fixed capital. We wonder whether this constitutes an implicit change of recording. As far as we know, at least according to ESA 1995, the relevant cattle should not be depreciated.

Para. 8.76: Here, it is stated that employment-related social insurance contributions are always recorded as if the schemes are adequately funded. This does only hold when the employer is responsible for the underfunding (or overfunding) of the scheme. If this is not the case, e.g. in the case of multi-employer schemes or in the case of specific (legal) arrangements, then only contributions actually paid need to be recorded here.

Chapter 10: Although this seems to be a lost battle, we would like to express our uneasiness with the implicit broadening of the definition of an asset by including e.g. R&D which is freely available. R&D made freely available is no asset, because it has no legal owner. Although it may provide benefits for the producer of the R&D, R&D made freely available still does not satisfy the definition of an asset, since being the producer of the R&D is not the same as being the owner of the R&D. Without exclusive ownership there is no asset with an economic value.

Para. 10.80 and 10.97: Is it indeed decided to treat costs on ownership on all land as part of land improvements? (I did not have the time to check this.)

Para. 12.64: A change from an unincorporated enterprise to an incorporated enterprise is an explicit economic decision and should, in our opinion, be recorded as a transaction in financial and non-financial assets, not as a change in classification.

Para. 14.145 and 14.154: We fail to understand the relevant texts. Para. 14.145 seems to suggest that not only the volume but also the value of the margin is proportional to the underlying product. As a consequence, the implicit price index of the trade margins would be equal to the price index of the underlying product. In our opinion, this is not the correct method. Furthermore, in para. 14.154, it



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says that "... there may be both a price element and a quantity element involved in changes in the volume measure"?

Para. 17.300: The definition of a resource lease needs further clarification. It is stated that the natural resource has to have an infinite life in order for a resource lease to exist. On the other hand, it is possible to exhaust natural resources, such as stocks of fish and mineral resources. Therefore, either the requirement of an infinite service life should be removed, or it should be better explained why a resource lease can (also) exist on a natural resource that is used to exhaustion.

Furthermore, we would like to support the comments made by Brent Moulton in relation to the recording of non-life insurance. We also think that, in line with the conclusions of the AEG, the text on the calculation of FISIM should allow for some more flexibility in the use of reference rates. In relation to a recent discussion on the exclusion of the risk element from the implicit service charge, we still have to be convinced about the need to exclude such a risk element. Finally, we strongly advocate leaving the codes of sectors and transactions unchanged; see e.g. the change of coding of current transfers.

In relation to the name of the updated SNA, we support a change of the name to SNA 2008. In our opinion, a change to SNA 1993 Rev.1 will give rise to confusion. Furthermore, it gives the impression of a very outdated system.

Best regards,

Peter van de Ven
Head of National Accounts
Statistics Netherlands

PS: We have also found a number of typos in the text. They relate to the following paragraphs: 4.15 (double stop under point e), 4.58 (last sentence), 6.17-21 (one column), 7.78, table 13.1 ("Total" horizontal instead of vertical), 13.90 (blank at the start), 14.135 and 14.145 (ref), 17.256 (formula), above 17.333 (.Sharing assets), and 17.345.