

**Comments on draft SNA chapter:
Chapter 9: The use of income account**

**Deadline for comments: 03 December 2006
Send comments to: sna@un.org**

Your name:	Peter Harper
Your country/organization:	Australian Bureau of Statistics
Contact (e.g. email address):	peter.harper@abs.gov.au

This three-part template allows you to record your comments on draft chapter 9 easily and, at the same time, makes it easy for us to use your comments in considering revisions to the draft chapter. You may complete any one, any two, or all of the three parts of the template.

Save this template and send it as an attachment to the following e-mail address:
sna@un.org

Part I: General comments

In the space below, please provide any general comments, such as about the clarity with which the new recommendations were incorporated (30 words or less).

Comment:

The inclusion of definitions into the manual is a positive initiative that we would encourage be extended. The use of terms such as amount, value, business, enterprise could be tightened and consistently employed.

The implication of definition of consumption in paragraph 9.2 is that all consumption is final consumption. There is a need to clarify the definition with respect to intermediate consumption. This has an impact throughout the chapter.

Part II: Comments on specific draft paragraphs or passages

In your review of draft chapter 9, you may wish to devote particular attention to the passages listed below. There is space after each issue for any comment you wish to make.

1. Section C contains expanded text on the treatment of imputed expenditures including the treatment of income in kind and barter.

Comment:

9.51 Conceptually where two items have been bartered their market value must be the same i.e. the parties have agreed to exchange the items. The difficulty comes in practice when the value needs to be expressed in dollars. While the recommended solution seems to be a practical one, there may be other approaches for estimating market value that might be more appropriate at least in particular circumstances. The use of the term market value in this paragraph may be the sticky point.

9.56 Calculation of the value of own-account goods and services should also include a cost of capital and mentioning this explicitly may be useful.

9.57 The section on sales of existing goods should be clarified to distinguish it from the treatment of inventories.

2. Section D has more detail on the types of financial service paid for by households indirectly, which need to be identified and separated from transaction prices or interest flows.

Comment:

9.66-9.67 The values for financial services are not imputed rather they are indirectly measured.

9.68 In the Australian context we are not aware of securities being traded in this manner i.e. on margin. Are any examples of this occurring in other countries? Perhaps the point could be generalized rather than based on examples.

9.70 We note that the practice described here is just one method for the calculation insurance and pension services. There are other methods including that adopted by the ABS (allocation by line of business) which can be equally, if not more, appropriate. We would prefer that the SNA not be prescriptive in its treatment.

9.78 A basis other than "time of delivery" may be equally acceptable for the time of recording expenditure on hire purchase, financial lease and similar arrangements e.g. exchange of contract, taking control of the item. It would be preferable if the time of delivery criterion was used to illustrate the applicable concept i.e. acquiring 'economic' control over the item.

9.81 Suggest that the sentence "Household expenditures are nevertheless recorded at the prices actually paid, even though this may mean that goods and services may not be valued uniformly." be changed to read "Household expenditures are nevertheless recorded at the prices actually paid, as this provides a measure of the appropriate transaction values."

3. Section F describes the reconciliation between general government output and consumption expenditure.

Comment:

9.101 Perhaps excluding the reference to R&D would be sensible, as this example has the potential to confuse rather than illuminate the point (this also applies in paragraph 9.5).

Part III. Other specific comments

9.5 Members of NPI's do not 'own' the NPI's in the current System so it is suggested that the words sentence: "9.5. Some of the services provided by NPISHs to the members of the associations that own them have some of the characteristics of collective services;..." be changed to read "9.5. Some of the services provided by NPISHs to their members have some of the characteristics of collective services;..."

9.7 Rather than simply referring to disposable income as a balancing item it would be useful to include an economic definition of the term.

9.25 Suggest that the description of saving is moved from 9.27 to beginning of 9.25

9.27 Unspent income must be used to acquire assets and/or reduce liabilities, does not have to be exclusively one of the other.

9.74 This paragraph states that repair and maintenance of durables should be treated as final consumption expenditure and that this is the same way that minor repairs to dwellings are treated. However, para 9.72 only explicitly mentions the treatment of minor repairs where the owner/tenant purchases materials, but not where these are carries out by specialist producers. Perhaps this needs to be elaborated in para 9.72.