

**Comments on draft SNA chapter:
Chapter 5: Establishments and industries**

**Deadline for comments: 21 August 2007
Send comments to: sna@un.org**

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Submission date:	Click here and enter your submission date

This three-part template allows you to record your comments on draft chapter 5 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.

Especially when providing comments in Part III of the template, you are encouraged to focus on the new passages of the draft text. To facilitate this process, a file comparing the existing text and the draft text is available on the website under the following link: <http://unstats.un.org/unsd/sna1993/projectmanagement/drafts/Chapter5dv2cdv0.pdf>

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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:

See comments below.

Part II: Comments on specific draft paragraphs or passages

In your review of draft chapter 5, you may wish to devote particular attention to the passage listed below. For ease of reference, we have identified the relevant paragraphs.

Please use the space provided to the right of the paragraph number to make your comment.

1. Section D, paragraphs 5.37 – 5.40:

The treatment of ancillary activities has changed in the 1993 SNA Rev.1. The new treatment is described in paragraphs 5.37 – 5.40. Please indicate whether the description is sufficiently clear and comprehensive.

5.37	<p><u>Comment 1:</u></p> <p>This para. does not provide a comprehensive view of the reasons why ancillary activities should be treated as ancillary establishments: a change in the 1993 SNA. The main reason for allowing ancillary establishments is for the collection of regional data and the compilation of regional value added and GDP has not even mentioned.</p> <p>It also does not spell out clearly:</p> <ul style="list-style-type: none">• Conditions for an ancillary unit to be treated as an establishment• How output of the ancillary unit should be measured• How output of the ancillary unit should be imputed as intermediate consumption <p>See AEG's decision below:</p> <p><i>Ancillary establishments</i></p> <p>If an establishment undertaking purely ancillary activities is statistically observable, in that separate accounts for the production it undertakes are readily available, or if it is in a geographically different location from the establishments it serves, it may be desirable and useful to consider it as a separate unit and allocate it to the industrial classification corresponding to its principal activity. However, it is recommended that statisticians do not make extraordinary efforts to create separate establishments for these activities artificially in the absence of suitable basic data being available.</p> <p>When such a unit is recognized, its output should be derived on a sum-of-costs basis, including the costs of the capital used in the unit. The output will be deemed to be market output when the parent enterprise is a market enterprise and non-market otherwise. The output of the ancillary unit is treated as intermediate consumption of the establishments it serves and should be allocated using an appropriate indicator such as the output, value added or employment of these establishments.</p> <p><u>Comment 2:</u></p> <p>The qualification in para 5.37 bolded in the quote below should be eliminated.</p> <p>For example, the purchasing, sales, accounts, computing, maintenance or other departments of an enterprise may all be the responsibility of a head office located</p>
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	<p>separately from the establishments in which the principal or secondary activities of the enterprise are carried out. In such a case, the unit is treated as producing services (and exceptionally goods as long as the goods are not incorporated into the products emerging from the principal or secondary activities of the enterprise).</p> <p>The qualification for goods production as an ancillary activity is taken from para 5.10 (b). It is unclear why this qualification is needed in the 1993 SNA. What it says is that if a producer produces milk only to be incorporated in the cheese he produces then the milk production cannot be an ancillary activity. It seems to be acceptable if (1) the milk produced is not sold to others in the market, and (2) the milk production and the cheese production take place at the same location. However this consideration by the 1993 SNA is no longer appropriate as the SNA update pays more attention to the regional economy.</p> <p>In addition, this qualification also violates the treatment of separating into separate establishments if an activity spans two or more headings at the first level of break down of the ISIC (case of vertically integrated enterprises). Instead of the milk/cheese example above, an example of a person who produces cloth from agricultural materials to be made into a dress clearly shows that it is necessary to treat them as two separate activities. Otherwise a dress is shown in the input-output table as being made from agricultural products, and not from cloths.</p>
5.38	This para. should be part of the para. 5.37.
5.39	This para. should be part of the para. 5.37.
5.40	Is there any reason for a satellite account of ancillary activities to be discussed in a separate chapter?

Part III. Other specific comments

You are welcome to make other comments. Please do so by using Adobe Acrobat Version 6 or 7 to comment directly on the PDF of the draft chapter.

If you don't have Adobe Acrobat Version 6 or 7 and would like to make detailed comments, please send a message to sna@un.org requesting a version of the draft chapter that permits you to comment. To optimize your commenting tools, please download Adobe Reader 7.0 for free from <http://www.adobe.com/products/acrobat/readstep2.html>