

**Comments on draft SNA chapter:
Chapter 6: The production account**

**Deadline for comments: 15 April 2007
Send comments to: sna@un.org**

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Contact (e.g. email address):	
Submission date:	March 13, 2007

This three-part template allows you to record your comments on draft chapter 6 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.

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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:

The reorganization of the chapter to present valuation principles and the interpretation of value added before the more detailed discussion of industry output is quite helpful.
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Part II: Comments on specific draft paragraphs or passages

In your review of draft chapter 6, 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. In section B, the text extends the definition of services to cover margin services explicitly. Is this a useful extension? This section also is more precise about products

capturing knowledge, some of which have many of the characteristics of goods. Is this precision useful?

Comment:

Extending the definition of services to include margin services is indeed useful. Margin, however, may not be the most appropriate term for these kinds of services. Margin has a particular meaning in a supply-use context that may not cover all of the types of activities intended by paragraph 6.21.

For example, securities brokerage and real estate brokerage are included in this category, but are not typically viewed as margin activities. Other types of services performed on a commission or fee basis, such as the arrangement of passenger or freight transportation, perhaps should also be included in this category. In addition, trade establishments facilitate the exchange of goods (change of ownership) not only by distribution on a “margin” basis by taking temporary ownership of the resold goods but also by brokerage on a commission basis. Finally, certain transport costs associated with the movement of goods from producers to consumers are treated as margins in the input-output accounts, but they are not mentioned in the discussion of margin services. Margins also include taxes on products and import duties.

Since the intent of the extension of the definition is to capture services that occur when one unit facilitates the change of ownership of goods, knowledge-capturing products or financial assets between two other institutional units, possible alternative descriptions include “facilitation” services, “intermediation” services, or “distributive” services. These are general-purpose descriptions that are similar to the “transformation” services used to describe the other broad category of services.

With regard to the category of “knowledge-capturing products,” it is useful to recognize that some services have the characteristics of goods. However, a better term might be “information products” or “information and entertainment products” or “knowledge assets.”

The discussion on classification of goods and services, generally, may warrant its own section, given that (1) the discussion could benefit from further clarification and (2) the production account does not necessarily require distinctions to be made between goods and services.

2. Section D now discusses GDP as derived from the production account only. The expenditure based estimate and the relationship between this, the income based estimate of GDP and the production based measure are now discussed in chapter 14 after the components of the other estimates have been discussed in the accounts where they occur. Do you agree to this placement of the material on the alternative estimates of GDP?

Comment:

The new placement of this material is fine. However, Section D should refer readers to the more detailed discussion of this topic in chapter 14 rather than simply stating that “the sum of value added . . . leads to the first measure of GDP (SNA § 6.65)” and “value added represents the contribution of labor and capital to the production process (SNA § 6.66).”

3. The AEG recommended that goods sent abroad for processing should be recorded without imputing a change of ownership when no change actually happened. They further recommended that the same principle should be adopted for processing of goods by another resident unit. Does the text in section E reflect this recommendation adequately?

Comment:

We note and agree with the comments made by the OECD and the UNSD.

4. Section E introduces the recommended change in terminology for kinds of production. Market production covers production for sale (short-hand term that includes other deliveries also) and for own use; non-market production relates only to production by general government and NPISHs. Is the resulting text sufficiently clear?

Comment:

The text is sufficiently clear. However, in the specific comments we noted that the use of collective services needs to be made more precise.

5. The output of the central bank is described in a stand-alone subsection of section F. Is the resulting text sufficiently clear on the proposals for compiling and allocating monetary policy services and financial intermediation services provided by the central bank?

Comment:

No comment on the output of central banks in section F

6. In section F, new text has been provided for the financial services. Is this text accurate and clear? This part of the text has been extended to include margins as well as FISIM and insurance charges. Are there any comments on this extension? (Further material will be added when chapter 17 is posted).

Comment:

The text seems accurate and clear.

7. Section G has a brief discussion of leasing, leaving the main discussion for chapter 17 on cross-cutting issues. Is the discussion here adequate in the context of chapter 6?

Comment:

Adequate. We recommend adding a little bit more (such as a brief description of operating and financial leases) here. Suggest changing the title of Section 9 to "Leasing fixed assets."

8. The discussion of consumption of fixed capital, in section H, is reduced from that in the 1993 SNA. The previous recommendations have been superseded; fuller discussion will appear in chapter 19 on capital services. Is the discussion in chapter 6 adequate in this content?

Comment:

For readers who are not familiar with the SNA, we suggest including references to more familiar terminology such as “financing or opportunity costs” or “depreciation” as was done in the paper presented to the AEG. Also, the chapter needs to more carefully distinguish between gross and net rates of return.

Part III. Other specific comments

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

If you don't have Adobe Acrobat Version 6 or 7 and would like to make very detailed comments please send a message to sna@un.org requesting to receive a version of the draft chapter permitting 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>