

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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Submission date:	23 February 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:

1. The part on taxes is very well written. It is better than the one now in the SNA.
2. The description about output of establishment deviates from the SNA and AEG decision.
 - In the SNA, production for own intermediate consumption in an establishment is not recognized as output.
 - This principle remains the same with the update.
 - Though the AEG decides that some output of ancillary units may be recognized but these units are recognized as separate establishments when conditions are met:

AED decision: "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..."

With this new treatment, there is still no recognized of goods and services as output produced by an establishment for own intermediate consumption. Exceptions to this rule are applied only to goods for own-capital formation, goods for own final uses, and goods entered into inventories whatever their subsequent use (see SNA, para 6.81).

3. The extension of the concept of economic ownership exposed by the Editor in the draft in the case of goods for processing to the level of establishment, transactions between one establishment and another establishment within the same enterprise is problematic and not even discussed by the AEG for the following reasons:
 - Ownership can be established only at the institutional unit level.

- When goods and services produced by one establishment and delivered to another establishment of the same parent enterprise, there is no change of economic ownership, although these goods and services are recognized as output. Ownership is immaterial here.
- Should we generalize the rule applied to goods in processing such that the other establishments add only services to the output of the first establishment? We don't think so. The extension only complicates the treatment since, firstly, ownership is clearly with the parent enterprise, not the children establishments and secondly goods as a total can be easily valued.

4. Given comments on 2 and 3, we have problems with interpretations of the draft given in para 6.16, 6.81, 6.81, 6.104, 6.110-6.112, 6.130:

- Para. 6.16 reads: "It is also possible for a unit to produce a service for its own consumption provided that the type of activity is such that it could have been carried out by another unit." This should be deleted.
- Para. 6.85 should be modified (changes are underlined or crossed):

Thus *output is defined as the goods and services produced by an establishment that are delivered to another establishment,*

~~*a. excluding the value of any goods and services used in an activity for which the establishment does not acquire economic ownership, and*~~

~~*b. excluding the value of goods and services consumed by the same establishment except for goods and services used for capital formation (fixed capital or changes in inventories), own final consumption or, in clearly specified circumstances, for own intermediate consumption*~~

- Para. 6.27 (a) should be modified:

~~*(a) The production of all goods or services that are supplied to units other than their producers, or intended to be so supplied, including the production of goods or services used up in the process of producing such goods or services;*~~

- Para. 6.95(d) should be modified.

~~The value of goods or services supplied by one establishment to another belonging to the same market enterprise to be used as intermediate inputs where a change of economic ownership is involved;~~

- Para. 6.109(f) should be deleted.

~~In specified cases, the value of goods and services for intermediate consumption in the same establishment or enterprise.~~

- Para. 6.115-6.118 on own intermediate consumption should be deleted.

- Para. 6.178 should be modified:

...When a unit provides only ancillary services, it ~~continues to be shown~~ may be recognized as a separate unit as long as the necessary information is available.

- Para 6.182 should be deleted.

~~When goods or services produced within the same establishment are fed back as inputs into the production within the same establishment, they are only recorded as part of the intermediate consumption if they have been recorded as part of the output of that establishment. There is discussion on when this might be appropriate in section E. Deliveries of goods and services between different establishments belonging to the same enterprise are recorded as outputs by the producing establishments and intermediate inputs by the receiving establishments only when there is an effective change of economic ownership to the receiving establishment.~~

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:

- The definition of services in para 6.17 covers transformation services and margin services. However it does not seem to cover services that are implicitly measured such as insurance services and FISIM. Those services do not fit into the definition of margin services.

Margin services result when one institutional unit facilitates the change of ownership of goods, knowledge-capturing products or financial assets between two other institutional units.

- Is it better to use "**knowledge-storing products**" instead of "**knowledge-capturing products**"?

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:

Agree.

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:

Change in ownership applies the level of institutional unit. The draft goes overboard in extending it to the producing unit (i.e. establishment)

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:

Agreed.

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:

Sufficiently clear.

Para. 6.146. Typos

The recommendation, therefore, is that a current transfer of the value of the non-market output should be recorded as payable by the central bank and receivable by the general government and a purchase of the non-market output of the central bank by government should also be recorded.

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:

Adequate.

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.

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:

Adequate.

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.

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