

**Updating of the SNA-93,
issue 11: ORIGINALS AND COPIES**

Advisory Expert Group's (AEG) recommendations of 12/2004:

- The AEG agreed that copies generated for issue under licenses to use represent new production. The AEG agreed that when they display the characteristics of fixed assets, copies issued under license to use should be recorded as gross fixed capital formation.
- The Canberra II group is asked to recommend in which cases when payments for a license to use are made over several years represent the acquisition of an asset rather than a series of payments for services and the consequence for recording other transactions.
- When a license to reproduce is issued under terms similar to an operational lease, the payments made are treated as payments for services.
- When the holder of an original divests itself of part or all of the responsibility to issue and service copies under licenses to use by means of a license to reproduce, this constitutes the sale of the corresponding part of the asset. Having two possible treatments for licenses to reproduce could affect the classification of assets (to be considered by Canberra II) and the borderline between goods and services in trade figures. This should be brought to the attention of BOPCOM.

German opinion:

- a) In our view the recommendations on originals and copies are rather confusing and therefore we cannot agree with them as an international guideline.
- b) For instance in the case of a book production we need to distinguish three steps:
 - drafting of the original (text) by the author, which in SNA-93 is treated as production of an intangible asset (GFCF);
 - permission (copy) given to a publisher to use the original (against a copyright fee), which in SNA-93 is always considered as a service rendered by the author ;
 - production (and sale) of the physical book by the publisher (as one cost element the copyright fee enters), this in SNA-93 as well as in SNA-68 is treated as output of goods on one hand and as intermediate consumption or private consumption or GFCF of the buyer on the other hand (depending on the circumstances).Only the two first indents were introduced by the SNA-93 to extend the production boundary and to be able to book such license fees as intermediate consumption (and hence to exclude them from operating surplus). This rationale has to be kept in mind.
- c) A possible open question may be the treatment of downloads from the internet. But also in this case a physical carrier (eg. electronic impulses) is needed to be able to use the download.