

Results of the AEG e-discussion on Follow-Up to Land Improvements Classification of Some Land Improvements as Structures

Introduction

1. The Canberra II Group meeting in September 2004 proposed that what was previously known as land improvements, and included in the balance sheet as part of the non-produced asset land, should in future be treated as a separate produced asset. The AEG meeting in December 2004 approved this proposal but asked for clarification about which structures involved should remain as part of the new asset, land improvements, and which should be reclassified as structures.

2. The Canberra II Group has since considered the matter and made the following recommendation for the consideration of the AEG:

Activities such as land clearance, land contouring, creation of wells and watering holes which are integral to the land in question and which are carried out by the landowner are to be treated as part of land improvements. Activities such as the creation of sea walls, dykes, dams and major irrigation systems which are in the vicinity of the land but not integral to it, often affect land belonging to several owners and which are often carried out by government, are to be classified as structures.

3. The above recommendation of the Canberra II Group were referred to the AEG members (document no. SNA/M1.05/22.1) soliciting their opinions through a questionnaire. The following questions were asked of AEG members:

Response received

4. The recommendations of the Canberra II Group were referred (document no. SNA/M1.05/22.1) to the AEG members soliciting their opinions through a questionnaire. The questions asked of AEG members and responses received through e-discussions have been summarized in the following table:

Table: Questions asked of the AEG Members and response received

No.	Question(s)	Response received		
		Yes	No	No opinion
1	Do you agree with the proposal in paragraph 2?	17	0	-
2	If you answered NO to question 1, is there another division which you prefer? If so, please describe it.	-	-	-
3	Or, do you think the SNA should be left unchanged in this respect?	0	4	1

Conclusions

The consultation showed that all AEG members participating in the e-discussion overwhelmingly support the proposal in paragraph 2 above.

A summary of comments is annexed.

Summary of Comments Made by Members in the Questionnaire

The original response and full comments are available on the UN website¹.

Question 1

Agreeing with the proposal one member observes that his agreement does not imply a full agreement with the precise wording of the paragraph. Another member observes that in practice, however, it may be very difficult to distinguish between on the one hand assets resulting from activities that are integral to the land in question, and on the other hand sea walls, dykes, dams, etc. As a consequence, all relevant expenditures will be treated as "structures".

There should be guidance on how eventually the land improvement be treated as part of the land as non produced asset since in the event of change in ownership, land improvement is not part of the transactions.

One member has questions about the presentation of Proposal 4 and reservations about its content. More specifically: 1. Presentation: It is not clear from Proposal 4 if all assets integral to the land will be classified as part of land improvement. Proposal 4 cites only land clearance, land contouring, and creation of wells and watering holes. How about irrigation, sea walls, dams, dykes within the land rather than "in its vicinity"? Would they also be classified within "land improvements"? Therefore, it is necessary to clarify the borderline for classifying structures and land improvements. It appears that certain types of irrigation, sea walls, dams and dykes could be classified in either category. 2. Content: --- Structures that are major improvements to land (dikes, seawalls, irrigation) have been erected for the specific purpose of land improvement (land reclamation, drainage, control) and are not used directly to produce other goods and services. Classifying them as structures rather than land improvement would deprive the balance sheet from analytical content as to what assets serve what purpose, and possibly generate inconsistencies as those assets are pooled together with similarly named assets used for production. --- The criteria for separately identifying land improvements from other structures are not clear. Is it that structures that are integral to the land considered land improvement, and those "in the vicinity" other structures? Or is it that the assets improve land belonging to several owners (versus one owner?), or is it that the government undertakes the acquisition, as opposed to a non-governmental owner?

¹ <http://unstats.un.org/unsd/sna1993/viewquestions.asp?tID=12&stID=0&sstID=0>