

Comments on draft SNA
Chapter 21: Measuring corporate activity

Deadline for comments: 7 November 2008
Send comments to: sna@un.org

Your name:	Mr Sanjiv Mahajan
Your country/organization:	UK / Office for National Statistics
Contact (e.g. email address):	Head of National Accounts Strategy and Development National Accounts Co-ordination Division Zone GE 108 Office for National Statistics 1 Myddelton Street Islington London EC1R 1UW Tel no. +(44) 020 7014 2078 E-mail: sanjiv.mahajan@ons.gov.uk
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This template allows you to record your comments on draft SNA chapter 21 “Measuring corporate activity” 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 or all parts of the template.

There is no file comparing existing text with draft text for this chapter because the draft is largely new text.

Save this template and send it as an attachment to the following e-mail address:
sna@un.org

Part I: General comments

In the space below, please provide any general comments. This may cover e.g. the structure of the chapter, issues missing and (lack of) consistency with other chapters of the 2008 SNA.

General comments:

<p>General comment</p>	<ul style="list-style-type: none"> • This is a well-written and structured draft chapter providing a good coverage of the issues. • More detail and the treatment of a number of areas (briefly) is needed to provide a fuller and more complete picture, for example: <ul style="list-style-type: none"> ○ Industry and market structures: <ul style="list-style-type: none"> ▪ Links between industries and institutional sectors as used in the National Accounts/Business Surveys and the main market structures like perfect competition, monopolies, monopolistic competition and oligopolies. ▪ Other, less common, market structures like cartels, duopolies, etc. ▪ Analyses of large, medium and small-sized businesses form another way of viewing corporations. ○ Multinationals: <ul style="list-style-type: none"> ▪ Challenges in data estimation for National Accounts/Business Surveys; ▪ Resident versus non-resident issues; and ▪ Parent and subsidiary separation. ○ Globalisation: <ul style="list-style-type: none"> ▪ Impact of globalisation on the treatment of units, transactions, etc. and recognising the issues and difficulties. ▪ Changes in company structure and practice, for example, different types of goods for processing, toll processing, merchanting, etc. ▪ Setting up company structures with the aim of benefiting from lower taxation rates on profits etc. in one country from say R&D or production in another country. ○ Joint ventures. ○ Production efficiencies, including outsourcing and contracting-in. ○ Impact of new products and technologies, for example, the Internet, iPods, etc, have generated new businesses and industries. ○ Impact of company asset stripping on existing businesses, sales to other businesses, and generation of new businesses, for example, management buy-outs. ○ Need a section linking Business Accounts with National Accounts, covering for example: <ul style="list-style-type: none"> ▪ Rules and methods on business accounting; ▪ Practical issues/differences; and ▪ Transition from business accounting to national accounting. ○ Need a section on the treatment of inter-company and intra-company activity covering how the transactions and activity is recorded in the business accounts, and how they differ from the needs of National Accounts.
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Structure and sequence of SNA Volume 2 chapters

- Overall comment on SNA 2008 Volume 2. Having now read, and commented on, all the chapters in Volume 2, the **sequence of the chapters in Volume 2 should be reviewed and changed.**
- The flow would be improved by having the Elaborating the Accounts (Volume 1 and Volume 2 join/overview) chapter followed by chapters on specific institutional sectors, followed by the Input-Output chapter, and then the others, which are rather mixed and move further away from the core National Accounts.
- An alternative proposal, including a chapter on Social Accounting Matrices, which provides a much better, and more logical, flow for Volume 2 is provided below:
 - Elaborating the accounts
 - The Government and Public Sectors
 - Households
 - Non-Profit Institutions in the System
 - The Rest of the World Account
 - Input-Output and associated analyses
 - Social Accounting Matrices
 - Satellite Accounts and other extensions of the System
 - Role of capital services in the National Accounts
 - Population and labour inputs
 - The informal sector
 - Links to monetary and financial statistics
 - Measuring corporate activity

Style and consistency points for this chapter and/or across SNA chapters

This section is evolving and expanding through the process of the feedback provided on earlier SNA chapters. This should be considered as a check list reflecting various issues identified through the chapters to date but the issue(s) may or may not occur in each and every chapter, or in this chapter.

These are a number of specific points which you may wish to consider for “consistency” in the editing of the revised SNA as a whole publication. Examples include:

- There are various occurrences of American spelling and English spelling of words. I do not know which approach you are applying but consistency within each chapter, and across the chapters, is necessary. I would recommend the English spelling (not surprisingly!). For example, in Paragraph 8.61, “categorized” should be “categorised”.
- There is an important style point which increases the usefulness for the reader. Many of the cross-paragraph references, for example, if there are exclusions in a list of examples, to know where the exclusions are included

elsewhere in the SNA in the same text reference is extremely helpful. Although it is time and resource intensive to cross-check all such references, this needs to be balanced against the value and usefulness for the reader as well as ensuring consistency across the SNA.

- The separation of either a list of examples or list of bullet points need to be consistent across, e.g. “;” followed by for the penultimate point with “and” or use full stops for each point. Whichever the approach, it needs to be the same across the SNA. Also the beginning of a bullet point should start with a capital letter or a lowercase letter, again consistency is needed.
- In the text, reference to tables should be “Table x.x” and not as “table x.x”.
- Use of Latin phrases or the English equivalent written in full? Again, consistency is the underlying theme, I am happy with either approach.
- “Et cetera” when abbreviated should be “etc.” with the full stop, this is often missed.
- Numbers versus text, where values of ten or less should be written as words, except when related to measurement (e.g. 2 km), percentages (e.g. 5.0 per cent) or values (e.g. £5.00, \$5 million, £3 billion).
- Widows/orphans, i.e. sentences and paragraphs crossing over two lines and pages respectively.

Terminology and reference to GDP and GVA

- There is a need for consistency and correctness in the way references are made to GDP. There is **one estimate of GDP** and there are **three approaches to measuring GDP, production, income and expenditure**. When using reference to one approach, it should be written as **production approach to measuring GDP** and not the production measure of GDP – same applies when referring to the other approaches. In terms of GDP, reference should be to production and not output, however in terms of the industry, output is valid. This approach needs to be used in this chapter and other chapters.
- Reference to “current values” should be replaced with “current price values” or “values in current prices”, either version is much clearer.
- When referring to value added, it should be made clear whether it is gross value added or net value added. Without the clarification, the text can be misinterpreted.

Part II: Comments on specific draft paragraphs and sections

All comments on specific draft paragraphs are welcome. They can be about e.g. scope, content and clarity. Proposing a concrete alternative text or table is also possible. For the paragraphs in separate sections, separate forms are used for providing and collecting comments (see below).

A. Introduction (paragraphs 21.1-21.6)

General comment	
21.6	Replace "...over the last several years..." with "...in recent years...".

* Insert rows in this Word table for each paragraph on which you wish to comment.

B. The demography of corporations (paragraphs 21.7-21.22)

General comment	<ul style="list-style-type: none"> • More needs to be provided linking the business register to the company structures and markets – see comments in General Comments section. • Need to cover the role and impact of births of new businesses and deaths of existing businesses. • The need for exhaustive coverage of corporations and corporations' activity. • Need to cover the regional dimension of businesses activity, for example, manufacturing unit in one region and distribution/sales unit in another region. • Need to reflect businesses generated via de-mergers, restructurings, asset stripping, etc.
21.7	<ul style="list-style-type: none"> • More is needed (albeit briefly) on elaborating and recognising the problems/issues that exist in maintaining an up to date business register reflecting changing business structures. • Need to reflect that the business register holds a lot of detail for each business, for example, covering local units, regional detail, foreign ownership, etc.
21.8	<ul style="list-style-type: none"> • List the types of examples and then go onto to describe each category provides an easier guide for the reader (or use the structure as used in Paragraph 21.18 with each case in italics etc.). • Need to provide other examples. • Paragraph 21.8, 3rd sentence, remove the brackets. • Paragraph 21.8, 3rd sentence, replace "...in effect in the country ..." with "...in each of country...". • Paragraph 21.8, need to list the other criteria required to meet the definition of an "institutional unit", for example, able to provide a complete set of accounts, etc.

21.9	<ul style="list-style-type: none"> • Need to reflect that new businesses not yet in production are important as they can/do contribute to GDP, for example, any gross fixed capital formation to set-up the business like purchases of existing buildings/machinery, construction of new buildings, etc. • 2nd sentence, need to reflect that the “owner’s equity” can either go up in value or go down in value.
21.11 to 21.12	<ul style="list-style-type: none"> • Need to list the different types of shareholders and their priority setting, for example, convertible loan stock, preference shares, low-coupons, ordinary shares, etc. Each type has a ranking in terms of dividends/income received as well as any return if the business goes into liquidation/administration. • Need to define explicitly what is deemed to be “declared bankrupt” and reflect that there may be different systems and criteria across countries. • Again, listing the different types of examples in the form of bullet points or italicising the heading for each category will help the reader. • Need consistent use of the term “corporation” and not mix it with “company”.
21.14 to 21.16	<ul style="list-style-type: none"> • Need to describe and distinguish between the different criteria, for example, control versus ownership. • Need separate top-down sector account and transaction line diagrams to illustrate the changes across the public/private sector for privatisation and nationalisation. • Need to clarify that for privatisation there are transactions and an institutional sector change. On privatisation, the shareholder is buying a share in a private sector business. • Need to reflect that government can take “partial ownership” and this does not necessarily imply control.
21.17 to 21.22	<ul style="list-style-type: none"> • Need to cover the impact on business structures of vertical integration versus horizontal integration, including depending upon the approach, the impact in the way the business will be captured on the business register. • Impact of economies of scale.

* Insert rows in this Word table for each paragraph on which you wish to comment.

C. Sub-sectors (paragraphs 21.23-21.26)

General comment	
21.25	<ul style="list-style-type: none"> • It should be noted that it becomes meaningless to monitor privatised corporations in the same way as public corporations over a long period of time after the point of privatisation given changes like restructuring, de-mergers, takeovers, etc. it has become a very different business. • It is also worth considering the different types of privatisation, for example, as whole monopolies or generating a market with competition.

* Insert rows in this Word table for each paragraph on which you wish to comment.

D. Relations between corporations in different economies (paragraphs 21.27-21.45)

General comment	<ul style="list-style-type: none"> • More on the impact of globalisation, see comments in General Comments section. • Need to cover the impact of import substitution on business structure/activity. • Need to cover the impact of currency changes, for example, the introduction of a common currency (Euro) for several countries or just currency movements, on business structures changing with a resident/non-resident basis.
21.34	<ul style="list-style-type: none"> • Write out SPEs in full when used for the first time. • 2nd sentence, replace “distorts” with “has an impact on”.
21.42	Need to explain why the application in BPM6 is different from SNA – should they not be the same? Either the SNA or BPM6 should change to be consistent.

* Insert rows in this Word table for each paragraph on which you wish to comment.

E. The contribution of assets to production (paragraph 21.46)

General comment	
21.46	

* Insert rows in this Word table for each paragraph on which you wish to comment.

F. The consequences of financial distress (paragraphs 21.47-21.53)

General comment	<ul style="list-style-type: none"> • Need to cover other issues in the light of the present world-wide credit crunch, like hedge-funds, banks’ bailouts (partial nationalisation), state aid, government guarantees supporting central bank loans, etc. This should also be considered in terms of who owns the risks and who gets the rewards. • Role of borrowing, debt, different types of financial instruments used to raise capital, non-performing loans, etc.
21.47	

* Insert rows in this Word table for each paragraph on which you wish to comment.

G. Links to commercial accounting (paragraphs 21.54-21.59)

General comment	<ul style="list-style-type: none"> • See comments in General Comments section regarding the need for a section covering the links, issues and differences between business accounts and National Accounts. • It is worth covering the impact of changes to accounting conventions to aid transparency and consistency, for example, future pension fund liabilities. • Need to mention there are differences between National Accounts (i.e. SNA) and commercial accounting like terminology, definitions, etc.
21.57	<ul style="list-style-type: none"> • It is worth stressing as much as it is in the interest of the national accounts fraternity to take greater interest in influencing the changes to the international and national accounting standards, it should be more of an integrated approach and a two-way process. • Need to reflect one of the key benefits of more harmonisation of the different accounting approaches would be to reduce the burden on business for statistical offices in collecting business activity data via business surveys, which would result in more common definitions, terminology, etc.

* Insert rows in this Word table for each paragraph on which you wish to comment.

Part III. Other specific comments

You are welcome to make other specific comments. To assist you in doing so, the following points are provided as a guide to the types of points on which you might wish to comment. Note, though, that you are not restricted to commenting on only these points.

1. Are the examples of how to record changes in corporate structure clear and sufficient? No – see General Comments section.
2. Is the description of FDI adequate as an introduction to the fuller description in the benchmark definition? Yes
3. Should there be more discussion about the consequences of financial distress? Yes

Specific comments:

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

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>