

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

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Part I: General comments

General comment: There are many deletions and changes to the old text that do not originate from the 44 issues but from pure redrafting choices. This makes a careful reviewing of these chapters very burdensome if not impossible. On the contrary, all the paragraphs proposed by the task force on non life insurance and which reflect the exact decisions of the AEG have not been taken up. On the opposite, very useful old paragraphs such as old paragraph 6.43 or 6.70 have been suppressed for unknown reasons. This choice is difficult to understand.

A change is proposed by the editor regarding the definition of services. This change is not, in our view, in the scope of the 44 issues. The AEG should therefore decide whether it proposes to add this change to the list of issues.

Part II: Comments on specific draft paragraphs or passages

In your review of draft chapter 9, 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.

Comment:

6.12 : this paragraph is new and includes a new criterion for services: “*when goods dispatched to another unit for processing do not include change in ownership the work done on them constitutes a service.*” While this change to the SNA apparently originates from the issue 40 “goods for processing”. The AEG decided that there would be no more an imputation of change of ownership for goods sent for processing, whether outside the economic territory or inside. However, the AEG did not decide that this entailed a new definition of services. Moreover this criterion is not very convincing: in the same chapter it is first said that the “non ownership of the good” is a criterion to classify the output as service, and a few paragraphs later (6.139) , it is said that retail

trade and wholesale trade are services, while these are characterized by owning the goods they resale! The issue is really whether the SNA should discuss conceptually of the classification of products between goods and services. The main message of the SNA is that all products are included, whether goods or services. The classification of these products between goods and services should be left to the classification experts. Introducing the concept of knowledge-capturing products as a third type of product implies that the SNA should avoid referring to goods and services when all three products are meant to be covered. This requires quite numerous changes.

6.21 The services provided by real estate agents and solicitors, which are included in ownership transfer costs, are presumably included in margin services. It is probably worth mentioning them explicitly.

6.22 The existence of the category "*Knowledge-capturing products*" is an illustration of the vanity of trying to categorize products as goods or services: as explained in this paragraph, these products may be tangible or intangibles (software). The important thing in national accounts is indeed that they are classified in the same group, whether tangible or intangible, it is not whether they are goods or services.

6.23 Reference is made to the "not-observed activities" and later the "non-observed economy".

6.24 second sentence: here the implicit classification defined in 6.17 is reused (but with a change: "knowledge embodying *products*" has become "knowledge-embodying *services*"), however, the object of the sentence encompasses all products, so why not replace the very long "and owns any goods or knowledge embodying services.....transformation and margin services" by the very short "*of the products*".

6.27 b : "*knowledge-capturing products*" has become here "*knowledge-embodying services*" ?

6.28- 6.31 These paras, unchanged from the old SNA, explain that the household production of most services for their own consumption is excluded from the production boundary. However, from these paragraphs, national accountants have generally understood that only goods produced for own use by households are included in the production boundary. But now the concept of knowledge-capturing products has been introduced, and the fact that they are not specifically excluded implies that software, databases, home movies or photographs, for example, produced by a household for its own consumption should be recorded as production. Although, the old SNA does not specifically exclude them, I believe national accountants have assumed that they are excluded. Given that the arguments used for not including services produced by households for own use mostly apply to these products they should be excluded too. Hence, it needs to be made clear that products of this nature are not in the production boundary.

6.47 This new paragraph is not very clear. It is proposed that it be replaced by "Regular thefts of products from inventories are not included in the value of output of the producer. However, products that are subject to a large, unexpected theft from inventory are included in the output of the producer and then recorded as an uncompensated seizure in the other changes in volume account. If the stolen products are sold, they are treated in the same way as the sale of used goods, i.e. the seller's output is equal to the selling price less the cost of the good to the seller, if any."

6.51 last sentence: The basic price is defined as excluding taxes on products and *including subsidies on products*. It is therefore a bit confusing to say that subsidies are *treated as not received* by the producer. It would be better to say: *Conversely, any subsidy on product received by the producer is included in the basic price*. Another reason: the initial sentence can be wrongly interpreted. If you say that subsidies on products received by producers are treated as received by purchasers (households) rather than the producer, this seems to lead to classifying these subsidies as "social transfers in kind". But they are not: they remain implicitly classified as subsidies to the producers, because they are included in the value added of the producer.

6.64 last sentence: this new sentence which recommends not to use the term "market price" is too general to be credible. I have counted 65 times the expression "market prices" in the SNA 93. Including for example paragraph 2.171, which says explicitly: *GDP at market prices represents the final result of the production activity of resident producers' units*. It would be more credible to limit the sentence to: *It is recommended that the term "market prices" should be avoided when referring to value added and the price basis used (basic, purchaser's or purchaser's) be specified to avoid ambiguity*.

6.74 last sentence : include "taxes (other than VAT)"

6.81 This new paragraph should be limited to the discussion on what to record as the value of the output, following the AEG decision to record only the value of the processing in case of the establishment does not own the goods. The new paragraph should exclude any discussion on whether to classify the activity as goods or services. In particular a sentence such as "it is important to know when to record an output of a good and when a transformation service, the defining principle is that of economic ownership" is an undue extent of the decision of the AEG. The SNA uses the ISIC and the CPC for classification purposes. The discussion on classification should be left to experts in classification.

Comment [A1]: Given that goods and services are discussed earlier in the chapter, it is difficult to see why we should not refer to them now.

6.85 (a) the sentence is : "*the output is defined as the goods and services produced by an establishment, excluding the value of any good and services used in an activity for which the establishment does not acquire the economic ownership*". This sentence apparently implies that an establishment can acquire the economic ownership of an activity. To avoid this misunderstanding, it would be clearer as "*the value of the output is recorded as the value of the goods and services produced by the establishment, excluding the value of any good and services used in an activity and for which the establishment did not acquire ownership*." Nota: in fact, this means that the measure of output corresponds to the sales of the establishment. It is unfortunate therefore that the old paragraph 6.43, which explained this has been moved out of this chapter.

6.88 The sentence here is "The preferred method of valuation is at basic prices, especially when a system of VAT , or similar deductible tax, is in operation. Producer prices should be used only when valuation at basic prices is not feasible. " The part of this sentence saying "*especially when a system of VAT, or similar deductible tax, is in operation*" should be suppressed, because basically the treatment of VAT in the SNA is the same whether for basic prices or for producer prices. Thus the fact that there is or not VAT is not a reason to choose between basic prices or producer prices. In other words one should not think that when there is no VAT, producer price is better. In conclusion, the sentence should be simply: "*The preferred method of valuation is at basic prices. Producer prices should be used only when valuation at basic prices is not feasible*". It would be useful to state this preference for basic price. I propose: "*The preferred method of valuation is at basic prices because this allows excluding all taxes of products from the value-added of industries and thus to obtain a better estimate of their share of total value added. For example, including any specific tobacco tax in the value added of the tobacco industry unduly significantly increases their share of total value added, while these taxes*

are only collected by the industry on behalf of the government and are not a receipt of the industry”.

6.91 typo: Reference is made at the end to Chapter 20 (government and public sector), but it is Chapter 21

6.95 (d) the fact that the two establishments are part of the same enterprise is contradictory with the fact that there is a change in ownership. In other words, if the two establishments are part of the same enterprise, there will be no change of ownership. Indeed, legal ownership resides with the enterprise, not the establishment.

6.95 It is regrettable that the old paragraph 6.43 which was so useful to make the bridge between business accounting and SNA was moved elsewhere.

6.100 this paragraph says “intra-entreprise deliveries should be only recorded when there is a change of ownership”. The relevance of this paragraph is questionable, because when deliveries are made between two establishments of the same enterprise, there is no change of ownership. It is the enterprise which legally owns the products, not the establishments.

6.109 (f) It is said in this new bullet point: “*In specified cases, the value of goods and services for intermediate consumption within a same establishment or enterprise is recorded as output*”. It would be useful to explain which are the specific cases that are referred to for this unusual exception to the general rule.

6.113 It would be useful that in this paragraph a reference is made to the own capital formation of *original knowledge assets (software and R&D) and of large weapon systems*. The former is a large own-account production for corporations, and the latter is induced by the new treatment of military expenditures, when done by government units themselves.

6.115 It is indeed unusual to start a paragraph of the SNA by “*It is unusual*”. But this paragraph starts indeed by these terms, and with some reason, because the proposal made in this paragraph is quite disturbing. This paragraph says that “*it may be desirable to record an output for a good or a service used as intermediate consumption within the same establishment*.” This is quite different with the old SNA paragraph 6.152 which said (quite reasonably): “*When goods and services produced within the same establishment are fed back as inputs into the production within the same establishment, they are not recorded as part of intermediate consumption.*” Of course the new paragraph says that it is rare and that there are only “occasions” to do that. Apparently, the occasions are listed below in paragraphs 6.116, 6.117, and 6.118. 6.116 refers to delivery services. It is quite difficult to understand how delivery services can happen within the same establishment. 6.117 refers to deliveries between two separate establishments. Thus this is not a good example. 6.118 refers to the “output placed in inventories for use as intermediate consumption in the future”. This is not relevant because it is not the issue that was raised in 6.115: indeed the use as intermediate consumption will be in the next accounting period, not the same. Overall, I do not understand the objective of this paragraph 6.115.

6.116 The old SNA contained a sentence saying: “*The production of transportation for own use within enterprises is an ancillary activity that is not separately identified and recorded.*” This has been apparently deleted and superseded by this paragraph. The origin of this change to the SNA is unclear.

6.117 This paragraph says: “*If a product is delivered by one establishment to another within the same enterprise it is shown as output of the first establishment and intermediate production of the second.*” This is contrary to paragraph 6.100 which says:

"Intra-enterprise deliveries are only recorded when there is a change of ownership".

Nota: I already remarked that deliveries between establishments of the same enterprise do not imply, by definition, a change in ownership.

6.125 First sentence: Non market output is not provided only to households.

6.125 It is most probable that a return to capital will not be included in the value of own account output in the 1993 SNA rev 1. So this line (d) should be deleted. In addition, the mention of the item (e) *"rent on land used in the production if any"* in the valuation of non market output is new to me. I trace a reference to this in a proposal by John Pitzer included in clarification # C17. I am not against, but do you confirm a decision of the AEG on this? If not this should be put forward to the AEG.

6.130 Agriculture: It is quite annoying if not disturbing to note that the old paragraphs 6.94 to 6.100 have been completely deleted and replaced by new paragraphs, while there was no issue among the 44 issues which discussed any change in the measurement of the output of agriculture. There was indeed an issue 26 on cultivated assets, but it was merely a change in two words. I have not checked these new paragraphs as I am unable to understand the origin of the possible changes.

6.139 second sentence. Please refer to my general comments on paragraph 6.12. Because of the choice made by the editor to give a definition of service based on the fact that the goods are not owned, one has to introduce here an arcane discussion on whether retailers have a "legal ownership of the good" or an "economic ownership of the good". This all originates from the proposal to include the criterion of legal ownership in the definition of services. If this first proposal was abandoned, as I propose, this discussion would not be useful here. Moreover, the qualification of retailers as being "passive" regarding the goods that they sell is irrelevant and could not be sustained in a face to face meeting with retailers... You only have to know the amount of advertising that they spend to realize that they are not passive...

6.149 last sentence. There was explicit request from the AEG that the terms "financial intermediation" is included in the definition of financial services. See provisional recommendations of the 2004 AEG meeting in Washington on <http://unstats.un.org/unsd/sna1993/recomm.asp?ID=78> and page 26 of AEG Frankfurt meeting. Thus the sentence should be: Financial services are the result of *financial intermediation, financial risk management, liquidity transformation, etc.*

6.150 Add (AEG decision to support recommendation of task force, Frankfurt, page 26): *"Financial services include monitoring services, convenience services, liquidity provision services, risk assumption services, underwriting services and trading services"*.

6.158 The exact sentence should be (AEG decision, Frankfurt, page 28): *The reference rate is a risk-free rate that has no service element in it and that reflects the maturity structure of the loans and deposits to which FISIM applies.*

6.159 A reference should be introduced in this section on the AEG decision on FISIM for non performing loans.

6.169 The task force on non life insurance had made a complete rewording of the old paragraphs of the new SNA to take into account the proposal of the task force that were subsequently approved by the AEG. It is difficult to understand why these paragraphs have not been used here. They can be found in the report to the AEG on non life insurance, on the web site of the UN. Here are (between the two lines of *****) the paragraphs regarding changes to chapter 6 (nota : in the below text, paragraph numbering is from the old SNA):

6.135 The activity of insurance is intended to provide individual institutional units exposed to certain risks with financial protection against the consequences of the occurrence of specified events. It is also a form of financial intermediation in which funds are collected from policyholders and invested in financial or other assets which are held as technical provisions to meet future claims arising from the occurrence of the events specified in the insurance policies. Although insurance involves transfers in which funds are redistributed among institutional units, insurance enterprises also produce services that are paid for, directly or indirectly, by their policyholders. It is not easy to disentangle the different elements involved in the transactions between insurance enterprises and their policyholders and to record them appropriately in the System. Accordingly, a comprehensive explanation of insurance and pensions and the ways in which the various elements interact is given in annex IV at the end of this manual. The purpose of the present section is to explain how the output of the services produced by insurance enterprises is calculated and valued in the System.

6.136 Typically, insurance enterprises do not make a separate charge for the service of arranging the financial protection or security which insurance is intended to provide. Whenever insurance enterprises do make explicit charges to their policyholders or others, these are treated as payments for services rendered in the normal way. For those services for which no explicit charges are made the value of the services they provide has to be estimated indirectly, however, from the total receivables and payables of insurance enterprises, including the income accruing from the investment of their reserves.

6.137 Insurance enterprises build up technical provisions for several reasons. One is that insurance premiums are payable in advance at the start of each period covered by the policy so that insurance enterprises typically hold funds for a period of time before an eventuality giving rise to a payment occurs. This applies to non-life insurance as well as to life insurance. Another reason is that there is sometimes an important time-lag between the eventuality occurring and the payment of the subsequent claim taking place. In addition, insurance enterprises must hold considerable provisions in the form of actuarial provisions, including provisions on "with-profits" policies, and in respect of life insurance, provisions on unit-linked policies. The technical provisions built up for those reasons are invested in financial or non-financial assets, including real estate. The income generated by these investments in the form of the property income or net operating surpluses earned by renting residential or non-residential buildings is called premium supplements. It has, as well as the income received from own funds, a considerable influence on the level of premiums insurance enterprises need to charge. The management of its investment portfolio is an integral part of the business of insurance which has a considerable bearing on the profitability and competitiveness of the enterprise.

6.138a The value of the output of both non-life and life insurance services is obtained residually from an accounting relationship in which the following elements are involved.

- (a) Actual premiums earned
- (b) Income from the investment of the insurance technical provisions, as described above.
- (c) Claims incurred during the accounting period. In the case of non-life insurance, where observed claims have a significant volatility, claims incurred are adjusted as described below.
- (d) Changes in the actuarial provisions, including provisions for with profits insurance and unit linked life insurance.

Each of these elements is described below. The residual represents the cost of producing the insurance service and operating surplus; it is often referred to as the "service charge".

6.138b The risks insured are often reinsured. Reinsurance is particularly important

in the case of non-life insurance, but exists also for life insurance. Reinsurance services are internationally traded to a significant extent. The value of the output of reinsurance services is measured in the same way as that of other insurance services.

6.138c In the following text, the term "direct insurance services" means insurance services which are provided to a policy-holder whose main activity is not in S.125. The term "reinsurance services" applies to insurance services provided by an insurer to a policy-holder whose main activity is in S.125 (or the equivalent, if non-resident), including autonomous pension funds. Many insurers act as both direct insurers and reinsurers, providing direct insurance services to non-insurance policy holders and reinsurance services to policy-holders who themselves are insurers or pension funds. Others specialise in reinsurance services, but may still provide some direct insurance services. Reinsurance services include those provided by one insurer acting as reinsurer to another also acting as reinsurer, known in the industry as "retrocession". In this case the policy-holder of the second reinsurer is the first reinsurer, and so on.

6.138d The value of direct insurance service produced relates to the whole of the risk which is insured, including any reinsured component. Thus, direct premiums and claims are recorded gross of reinsurance. The reinsurer's share of both is recorded as output of the reinsurer and as intermediate consumption of the direct insurer. It is the same in regard to premium supplements and their obverse, property income attributed to insurance policy-holders, which therefore includes, in the case of reinsurance services, policy-holders who are themselves insurers.

6.138e For simplicity, certain items to be found in the profit and loss accounts of insurance corporations are assimilated to others in the calculation of the value of direct and reinsurance services produced :

-- Gross premiums earned include changes in the provision for unexpired risks, as part of changes in the

provision for unearned premiums (see (a) below).

-- Gross premiums earned are recorded after deducting rebates paid to policy-holders when these result from the experience of individual contracts. These rebates should be distinguished from bonuses paid or payable

in future to policy-holders, even though the two are often merged in the published accounts of insurance corporations (see below).

-- In the case of a reinsurer accepting risks on proportional reinsurance contracts, gross premiums earned are recorded after deducting the reinsurance commissions payable by him to the direct insurer.

-- Gross claims incurred include changes in the equalisation provision.

-- Gross claims incurred include bonuses actually payable in the accounting period.

-- Changes in the actuarial provisions and provisions for with profits insurance include the provision made for bonuses payable in future.

6.138f Adjustment of non-life claims incurred. Observed claims incurred have a significant volatility, in particular when major catastrophes occur, thus impeding their mechanical use in the measurement of the output of insurance services for a given accounting period. Indeed, this measure should not be affected by the volatility of claims: conceptually, neither the volume nor the price measure of the insurance output is affected by the volatility of claims. Thus the formula used to estimate the output of non life insurance services relies on *adjusted* claims incurred rather than *observed* claims incurred. It is also possible to extend this line of reasoning to *adjusted* premium supplements rather than

observed premium supplements, but the volatility is lower in respect to premiums. Overall, the formula to calculate the output of non life insurance services includes the following elements:

(a) Gross premiums earned: these refer to those parts of the premiums payable in the current or previous periods which cover the risks incurred during the accounting period in question. They are not equal to the premiums actually payable during the accounting period, as only part of the period covered by an individual premium may fall within the accounting period in which it is payable. The prepayments of premiums, which refer to those parts of the premiums which cover risks in the subsequent accounting period or periods, form part of the technical provisions called unearned premiums. Thus, gross premiums earned are equal to gross premiums receivable less the value of the changes in the gross provisions on unearned premiums.; the rebates paid by the direct insurer to the policy holders are to be treated as a negative component of the gross premium earned, as are reinsurance commissions payable by an insurer acting as a reinsurer; but profit sharing payable by a reinsurer is not deducted from the premiums which he accepts and is treated as a miscellaneous current transfer (D.75).

(b) Premium supplements or expected premium supplements from investment of the insurance technical provisions, as described above, plus income or expected income from own funds. Although the provisions are held and managed by the insurance enterprises, they are treated in the System as assets of the policyholders. The income earned on the investment of these provisions is, therefore, attributed to the policyholders for whose benefit the provisions are held. [The income on the own funds of insurance corporations held in respect of non-life business is also attributed to the policy-holders, because in practice the policy-holders benefit from it in much the same way; but, by convention, these own funds are not regarded as assets of the policy-holders.](#) The total of the income is recorded as receivable by the policyholders who pay it all back again to the insurance enterprises as premium supplements. These premium supplements must therefore always be equal in value to the corresponding income from the investment of the technical provisions; however, in the calculation of output expected premium supplements rather than observed premium supplements can be used, but, considering the lesser volatility of premium supplements compared to claims, adjusted premium supplements can be taken in practice as equal to observed premium supplements;

(c) Adjusted claims during the accounting period: adjusted claims differ from actual gross claims incurred, [which are equal to gross claims actually payable during the accounting period plus changes in the gross provision for outstanding claims.](#) Adjusted claims can be estimated using two methods. The first, the expectation approach, is based on an estimate of expected claims, using smoothed past figures of gross claims incurred or smoothed past ratios of gross claims incurred over premiums applied to current premiums. This method is fully described in the annex IV. The second one, the accounting approach, uses gross claims incurred, and, if necessary, changes in own funds, when the latter are used by insurance companies and subsequently rebuilt to face major unexpected claims; when withdrawal of own funds intervene in one period to dampen the impact of major claims, the subsequent rebuilding of these own funds should intervene in the next periods;

(d) Changes in the actuarial provisions and provisions for with-profits insurance. These changes consist of allocations to the actuarial provisions to build up the capital sums guaranteed under these policies and provisions for with-profits insurance policies. Most of these provisions relate to life insurance but they are also needed in the case of non-life insurance when [premium rates are fixed for more than one year \(including policies providing mortality or disability benefit only on the occurrence of an event within a term, when correctly treated as non-life insurance\) and when claims are paid out as annuities instead of lump sums.](#)

All changes in insurance technical provisions referred to (a), (c) and (d) are measured excluding any nominal holding gains or losses.

6.139 Items (a) and (b), i.e.:

Actual premiums earned; and

Premium supplements (or adjusted premium supplements) determine the total resources (or adjusted resources) of an insurance enterprise arising from its non life insurance activities. Items (c) and (d), i.e.:

Adjusted Claims incurred; and changes in the actuarial provisions and provisions for with profits insurance

determine the total adjusted technical charges to be met out of these resources. The difference between the total adjusted resources and total adjusted technical charges represents the adjusted amount available to an insurance enterprise to cover its costs and provide for a normal operating surplus. It is taken as measuring the value of the output of non-life insurance services produced by the enterprise. This method simulates the model used by insurance enterprises to fix the level of premiums. Insurance enterprises take all the items (b) to (d) into consideration when fixing the levels of the premiums they charge in order to ensure that the excess of total resources over total charges provides sufficient remuneration for their own services.

Thus, the basic formula used to estimate the value of the output of non life insurance services is as follows:

Actual gross premiums earned
plus gross premium supplements (or adjusted gross premium supplements),),
Less Adjusted gross claims incurred
Less Changes in actuarial provisions and provisions for with profits insurance
= Value of the output of non life insurance services

The value of life insurance services (*and pension funding services*) do not rely on expected measures but on actual ones:

Gross premiums (*and contributions*) earned
Plus gross premium (*and contribution*) supplements
Less gross claims (*and benefits*) incurred
Less Changes in actuarial provisions and provisions for with profits insurance, unit linked life insurance (*and defined contributions pension funding*)
= Value of life insurance services

Unit linked life insurance policies are also called "life insurance policies where the investment risk is borne by the policy-holder". The technical provisions in respect of these policies are often separated in insurance corporations' balance sheets. *{Defined contributions pension funds are also contracts where the investment risk is borne by the policy-holder.}*

NB. The formula above is subject to change in the case of defined benefits pension funds. This is why it is in italics. In the present formula, changes in liabilities to

members are included in "changes in actuarial provisions".

6.182 This new paragraph changes the treatment of own account production for intermediate consumption. The old SNA said: "*When goods and services produced within the same establishment are fed back as inputs into the production within the same establishment, they are not recorded as part of the intermediate consumption or the output of the same establishment.*" This seemed quite reasonable. The new paragraph says: "*When goods and 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 in the output of that establishment*". The new paragraph therefore allows that some output for intermediate consumption inside the same establishment is recorded. We do not understand why the old SNA has been changed (please see our remarks on paragraph 6.115). This should be taken up to the AEG. The new paragraph continues by saying that deliveries of goods between establishments of the same enterprise are recorded as outputs and intermediate inputs if there is an effective change in ownership. But, by definition, there are no changes in ownership within the same enterprise.

6.195 Following AEG decision (see decision of AEG in <http://unstats.un.org/unsd/sna1993/recomm.asp?ID=18>), the sentence on military equipment should be: *Expenditure on military equipment including large military weapons systems are treated as gross capital formation; expenditures on expandable durable military goods, such as bombs, torpedoes, and spare parts are treated as inventories, and are consumed, when used, as intermediate consumption.*

6.195 Insert "expenditure on" after "All".

6.203. It would be better to replace the word "normal" with "expected" when describing obsolescence, as rates of obsolescence can vary over time and there may be some particular factor or event that will occur in the future that will lead to particular assets becoming obsolete.

6.207 As noted at the beginning of para 208, the value of an asset is not equal to the present value of future rentals, because the rental must cover maintenance and other costs and therefore exceed the benefits that the asset provides. Thus we should re-cast the discussion in terms of benefits and capital services. Proposed amendments have been made in the pdf file.

6.208 The text does not address the AEG decision on Issue 23 Obsolescence and depreciation. It is proposed that the following text be inserted after the third sentence: "The decrease is expressed in the average prices of the period, i.e. in the prices of this type of asset at constant quality. The decrease should not include any holding gains or losses." The last three sentences could be deleted - they cover unnecessary detail, and be replaced with

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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