Comments on Government/Public Sector/Private Sector--Delineation, by Graham Jenkinson, ONS United Kingdom, August 6, 2004

-----Original Message-----
From: Dublin, Keith G. N.
Sent: Friday, August 06, 2004 9:42 AM
To: Laliberte, Lucie C.
Subject: FW: Revised draft of TFHPSA paper on public/private sector delineation

-----Original Message-----
From: Graham Jenkinson [mailto:Graham.Jenkinson@ons.gsi.gov.uk]
Sent: Friday, August 06, 2004 7:57 AM
To: betty.gruber@abs.gov.au
Cc: brooks.robinson@bea.gov; Bruce.Baker@bea.gov; Weisman, Ethan; gizella.csonka@pm.gov.hu; ian.carruthers@hm-treasury.x.gsi.gov.uk; Dublin, Keith G. N.; ken.warren@treasury.govt.nz; Hemming, Richard; vebrova@gw.czso.cz; yasuhisa.fujishiro@mfs.cao.go.jp
Subject: Revised draft of TFHPSA paper on public/private sector delineation

Betty

I must also apologise for the late response to your paper as it must now be nearly 7 August "down under".

Reading it afresh and then checking back to points I made last time I found the same issues coming to the surface. I will resist repeating my earlier points.

Possibly the main point where I will try to develop your thinking when I present in Washington will be on the issue of economically significant price. You have recognised the ESA defintion in the paper. Your covering Email suggests that we may go further "We still should look at the ESA95 for guidance though." I would probably accept your premise that the ESA rule is too rigid. However I intentionally put the word "probably" here because in practice EU countries have been able to work with the 50% rule which suggests that it works in a wide range of practical circumstances. Where we have stumbled slightly is in defining what goes into the 50% calculation, particularly in respect of capital consumption. My current thinking would be that the ESA 50% rule would be the norm but there is flexibility to depart from it where there is a good case to do so. The material in your paper would then help to define what might constitute a "good case". Is this formulation worth mentioing as an option in the paper?

Paragraph 65 discusses the role of legislation and whether it amounts to control. One might try to draw out a distinction between "regulation" and "controlling legislation". Many businesses operate in areas which are heavily regulated by government - perhaps because of the risks they pose to the environment through pollution or because they operate in markets with restricted access. But that doesn't make them controlled by government. Another relevant criteria to distinguish things here is whether the result is voluntarily accepted by the business or compulsorily imposed. Regulation would generally be accepted as being reasonable.

Not sure if it is new but I particularly liked paragraph 69 which captures the main issues very well. There is just one bit in the middle which grated when you say "It is unlikely that a government unit, or any other type of unit, could control such a NPI as it would have just one vote." I don't think this follows and we have had examples in the UK which can be quite finely balanced because there could be several members who are there because they work for a public sector organisation. We have had to look carefully at the composition of the membership to ensure whether it was majority private sector or not.

I won't pursue the issue of quasi corporates further now. The first time this comes up in your paper (paragraph 12 and footnote 9) this correctly describes how we are managing our statistics and my earlier point that government is non-market. It may be as your e mail suggests, that this is another issue where the detailed drafting of the SNA needs adjusting.

Where I am most unclear still is how this goes forward in line with the AEG's timetable. One of our remits as an expert group is to propose detailed amendments to the SNA. At the September meeting we may be able to agree the main content as far as principles go. However the various points in the second part of the paper where you say "the requirement should be reviewed", "additional guidance be provided" etc comprise a large programme of work to achieve this. Who does that and to what timescale. Is some of it for the SNA editor. This concern is in addition to Ian Carruther's points about needing to wait for agreement on certain IPSASs.

Any thoughts on any of this or on points you would like emphaised in the TFHPSA meeting gratefully received.

Graham

PS The rain in London has been pretty patchy with little here at the office and my garden in Kent is slowly turning brown in the heat.

betty.gruber@abs. gov.au To: Graham Jenkinson/NEID/MESAG/LONDON/ONS@ONS, RHEMMING@imf.org, gizella.csonka@pm.gov.hu, vebrova@gw.czso.cz, ken.warren@treasury.govt.nz, 27/07/04 06:59 ian.carruthers@hm-treasury.x.gsi.gov.uk, yasuhisa.fujishiro@mfs.cao.go.jp, brooks.robinson@bea.gov, Bruce.Baker@bea.gov cc: kdublin@imf.org, eweisman1@imf.org Subject: printed reply by 5th august Revised draft of TFHPSA paper on public/private sector delineation

Hello Everyone

I am sorry for the delay in getting back to you. The ABS is a Lotus
environment
with no word processor so it took a little time to get access to Word and
then I
had some problems with the formatting. The IMF came to the rescue there and formatted the document for me. Thanks IMF.

Thank you for the excellent comments on the earlier draft. I hope I have captured most of your thoughts in the attached draft. I have added a few comments below on some of the issues raised by you.

I have not restructured the paper at this stage as it will have to be restructured, and possibly shortened, to meet the AEG Guidelines for issues papers. I will make a start on this before the September meeting but finalisation will have to wait until after your discussions at the meeting.

The meeting also needs to decide whether we run with all the
recommendations
listed. For those clarifications that are agreed, draft wording will have
to be
prepared.

Our chair, Lucie Laliberte, wants to put the paper up on the IMF website
before
the September meeting. Could you please have a quick look at the latest
draft
and, if you have further suggestions, enter them into the document as track changes. I would appreciate your comments by Thursday, August 5.

Regards

Betty

<<247kl01_.DOC>>
(See attached file: 247kl01_.DOC)

Specific Comments

1. How to deal with Parliament and Heads of State/Monarchies: The manuals do not
help here - perhaps the IMF GFS people can provide some assistance. In Australia, the Australian Parliament is consolidated as part of central government.

2. Use of a decision tree: I really like that idea and think we should include
one. I agree that we should wait until we have consensus on the proposals. The
accounting standards have one.

3. Quasi corporates: The text in the paper has been taken from the SNA. Suggestions on how this might be strengthened are welcome.

4. Economically significant prices: The ESA95 prescribes percentage rules for
determining the type of producer. From the comments I received, the team seems
to want some flexibility in SNA so set percentages would not achieve that. We
still should look at the ESA95 for guidance though.

5. Ability to control remuneration of staff: I would have thought this was part
of financial and operating policies. Anyone else have a comment?

6. Nonfinancial benefits. The nonfinancial benefits would be received indirectly
through subsequent financial outcomes. I am not sure whether we need to know
whether benefits are direct or indirect. From a practical point of view, it may
be impossible to distinguish between the two.

ABS Web Site: www.abs.gov.au

(See attached file: 247kl01_.DOC)

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