

Originals and copies Viet Vu

UN STATISTICS DIVISION

Economic Statistics Branch

National Accounts Section

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SNA93

- The production of originals and copies is a two stage process.
- The first stage results in the production of an original and the second stage results in the production of copies.
- The original is an intangible fixed asset.
 - The owner may use it directly in production or to produce copies, with both uses resulting in consumption of fixed capital of the original by the owner.
 - The owner may also license other producers to make use of the original in production. In these cases, the owner is treated as providing services to the licensees. These services are recorded as part of the intermediate consumption of the licensees, and as consumption of fixed capital of the original in the accounts of the originator.

Problems to be resolved?

- License-to-use [copies]
 - Are license-to-use new production?
 - Can they be fixed capital formation?
 - When payments for this GFCF is spread over time, should it be treated as a financial lease?
 - Given the above, is there double counting between the original and copies?

Problems to be resolved?

- License to reproduce
 - When the licence has the characteristic of an operational lease, should payments be payments for services (and new production)?
 - When the holder of an original divests himself of responsibility for reproduction and servicing of copies, does this represent the sale of an asset?

AEG decisions: License to use [copies]

- Copies generated under licenses to use represent new production.
- 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 review again the cases in which 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.

AEG decisions: license to reproduce

- 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.

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	Production	Sale
Originals	Production of original treated as fixed capital formation	The treatment is similar to the sale of an existing fixed asset. GFCF of the original owner declines and of the new owner increases.
Licenses-to-reproduce	Where the license-to-reproduce is viewed as a financial lease. No production takes place.	Payment is treated as sales of part of the original . GFCF of the owner of the original declines, GFCF of the owner of the license increases.
	Where the license to reproduce is not a financial lease. Production of services by the owner of original occurs and the original has to be depreciated.	Payment is treated as purchase of services and hence intermediate consumption .
Licenses-to-use	Where conditions of a capital good are not satisfied (payment is below a cut-off point, and use is for less than one year or is purely an operational lease). Production of services by the owner of original occurs. Original has to be depreciated.	Payment for license is treated as purchase of services and hence intermediate consumption, HHFC or exports .
	Where conditions of a capital good are satisfied. Production of copies by the owner of original/part of original occurs. Original has to be depreciated.	Payment for copy is treated as gross capital formation (or exports).

Thank You