

35th Voorburg Group meeting

Discussant Remarks on 7710 - Renting and leasing of motor vehicles



Erika Barrera

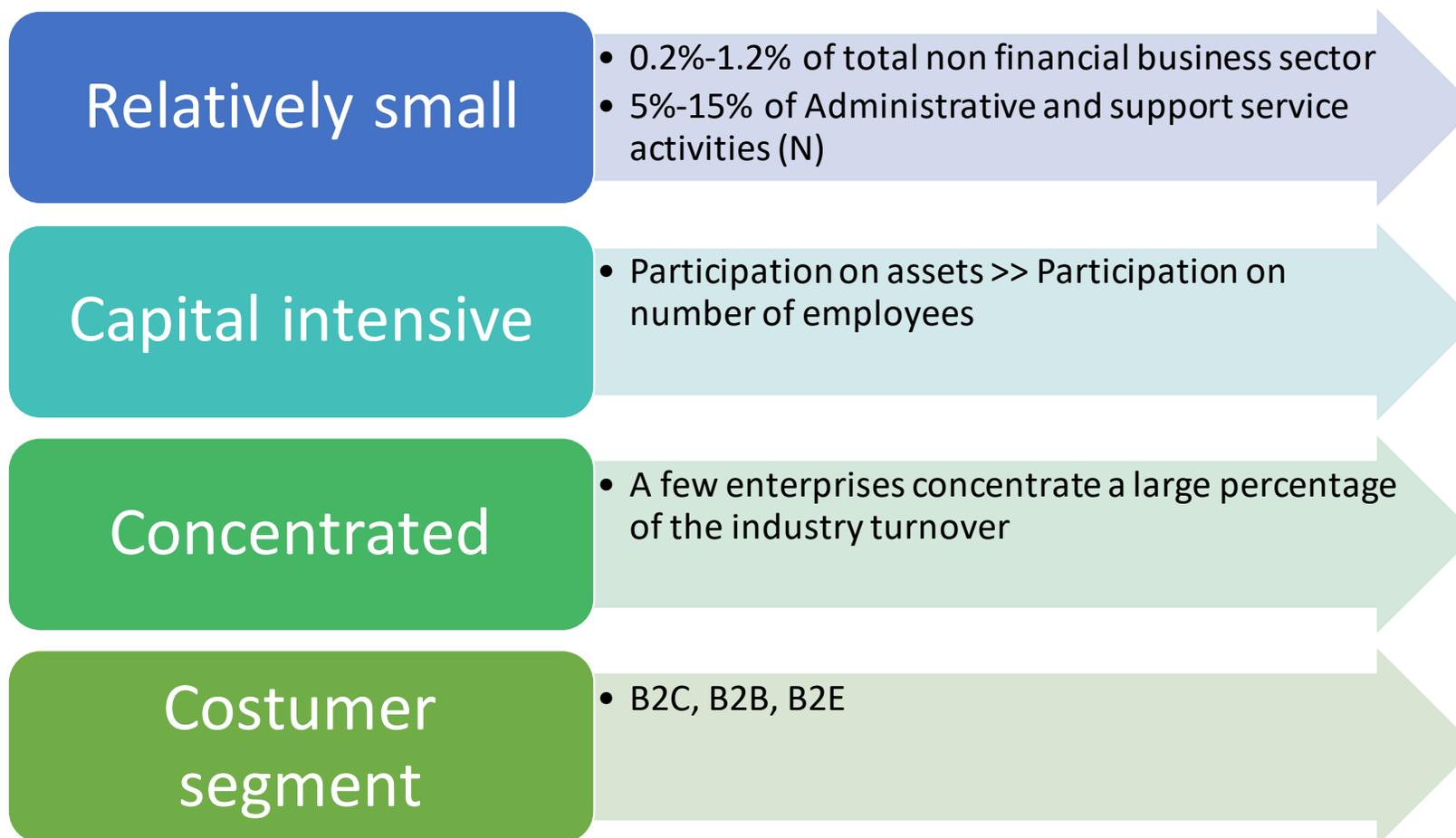
Head of Service Unit, Annual National Accounts Department
Central Bank of Chile

24 September 2020

Agenda

- General remarks
- Measurement
- Price considerations
- Market trends and challenges
- Implications of IFRS 16
- Discussion

7710 - Renting and leasing of motor vehicles: General characteristics of the industry



Two different services

Renting and leasing of cars and light vehicles

- Mainly short term rental (<90 days).
- Mainly for tourism (domestic households and foreigners), but also corporate.

Renting and leasing of trucks

- Mainly long term
- Operational leasing
- Corporate segment
- Unique contracts

Measurement (mini presentations)

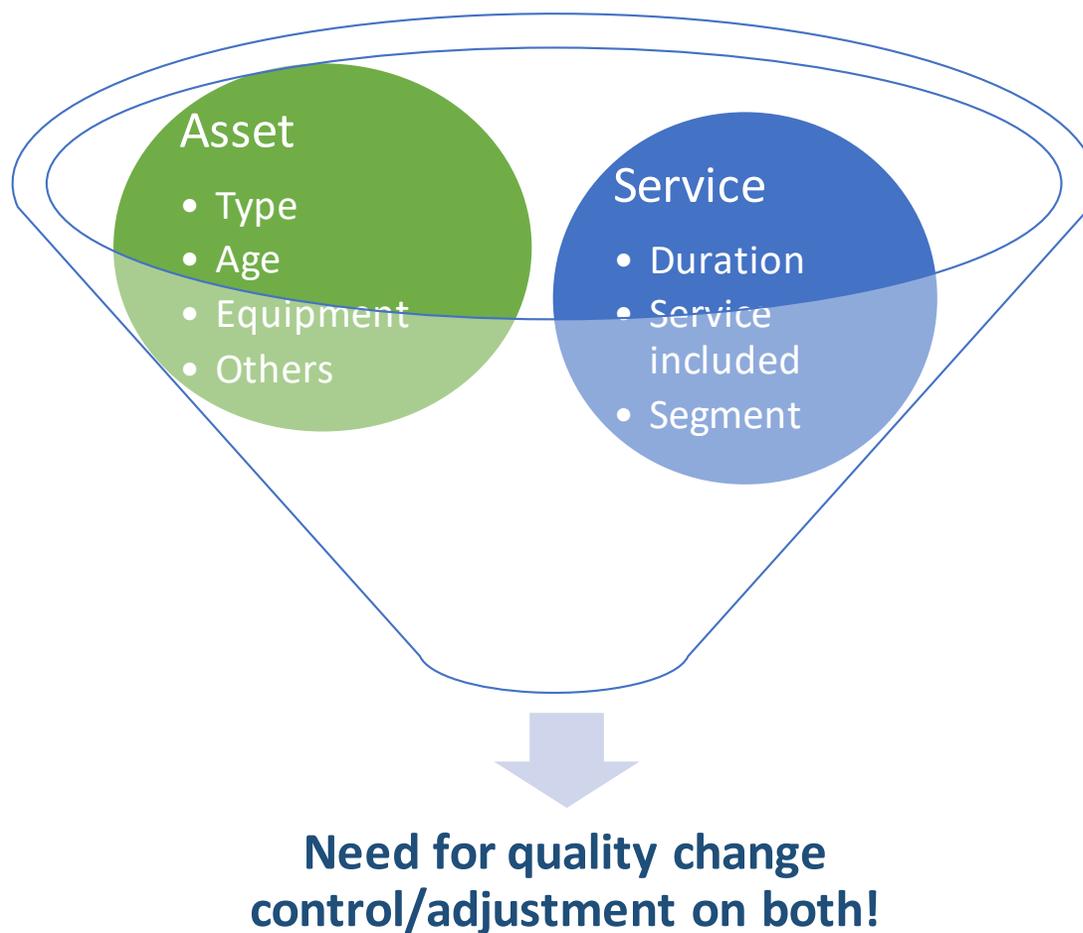
Output: Turnover

- Structural business statistics (census and annual)
- Short term business statistics

Price methods

- Direct use of prices of repeated services
- Contract pricing
- Unit value
- Model pricing

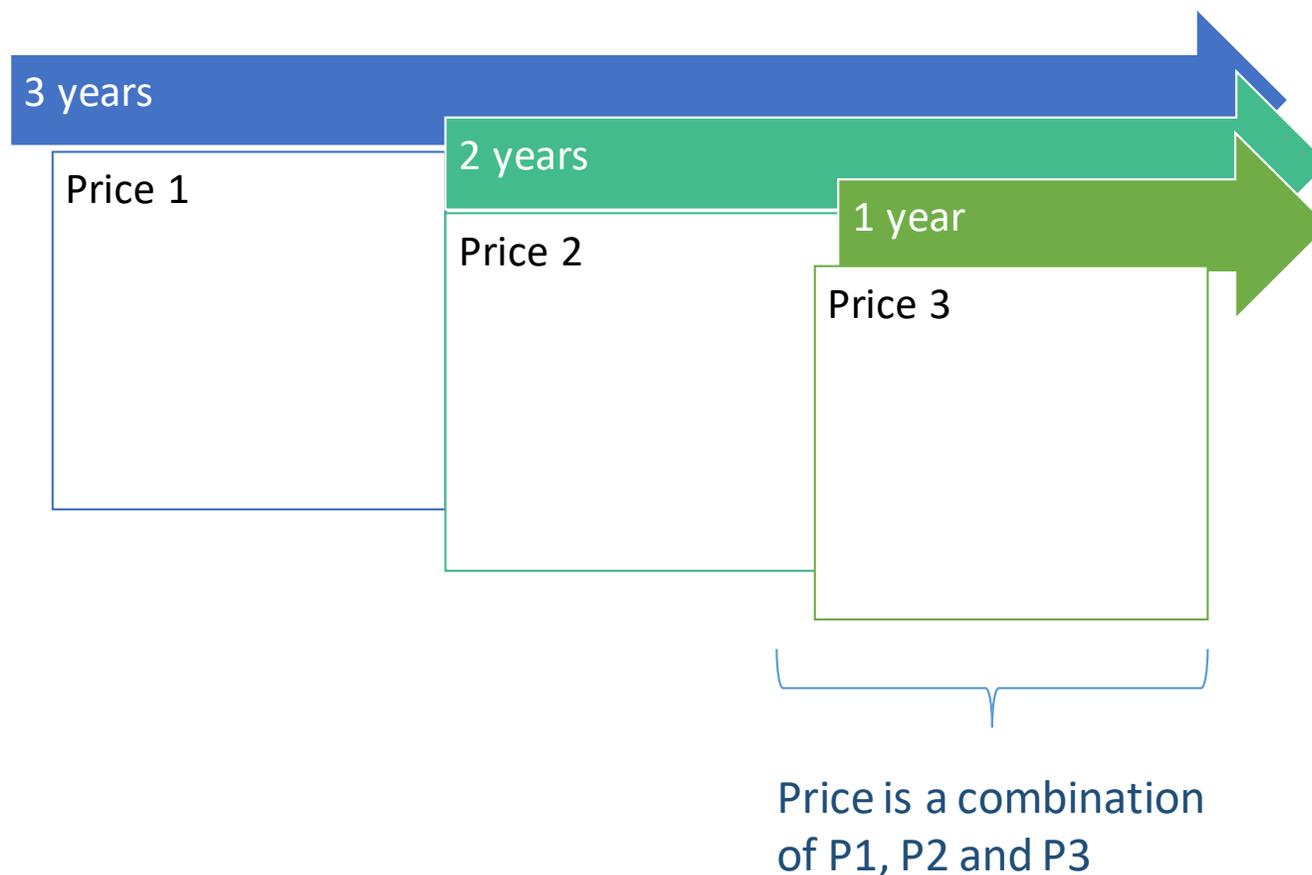
Price determinants: gross measurement and quality change



“It should be noted that changes in the quality of the item rented (i.e. not only of the rental service) should also be reflected in the volume of the rental services.”

(Handbook on prices and volume measures in national accounts, Eurostat, 2016 Edition)

Operational leasing: long term contracts



“...the deflator at any point in time would be mainly composed of old lease contracts that were still running, with a relatively small weight given to the lease price in the most recent period.”

(Eurostat-OECD Methodological Guide for Developing Producer Price Indices for Services, Second Edition)

Market trends and challenges

Car sharing by CSOs

- Shorter term rental, mileage fee, membership, self service.
- Different price determinants and quality.

Peer-to-peer car sharing

- Vehicles privately owned, sharing system operated by a third-party.
- Households as producers, platform intermediation.

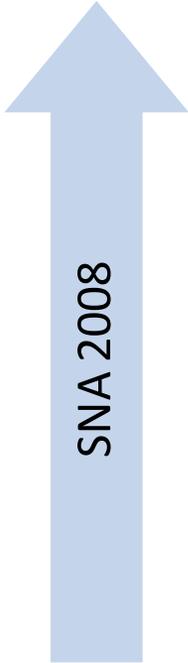
Leasing of cars by households

- Alternative to purchase.
- Long term contracts with households.

New business models - secondary production

- Car rental: optional tours, vehicles sales, third-party advertising on cars.
- Importance of turnover by product.

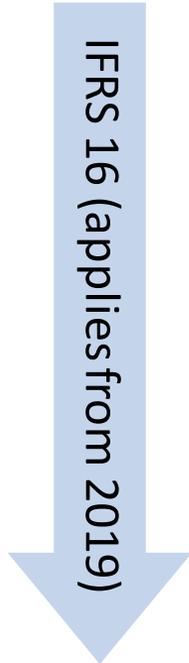
New financial reporting standard: IFRS 16



SNA 2008

- **Distinction** between **operating and finance lease** for both lessors and lessees.
- Assets are recorded by the economic owner following the concept of **risks and rewards**.
- Operating leasing - Lessor (owner): the assets are recorded in balance sheet and the decline in their value is recorded as consumption of fixed capital.
- Operating leasing – Lessee: payment to the lessor is a payment for a service (intermediate consumption).

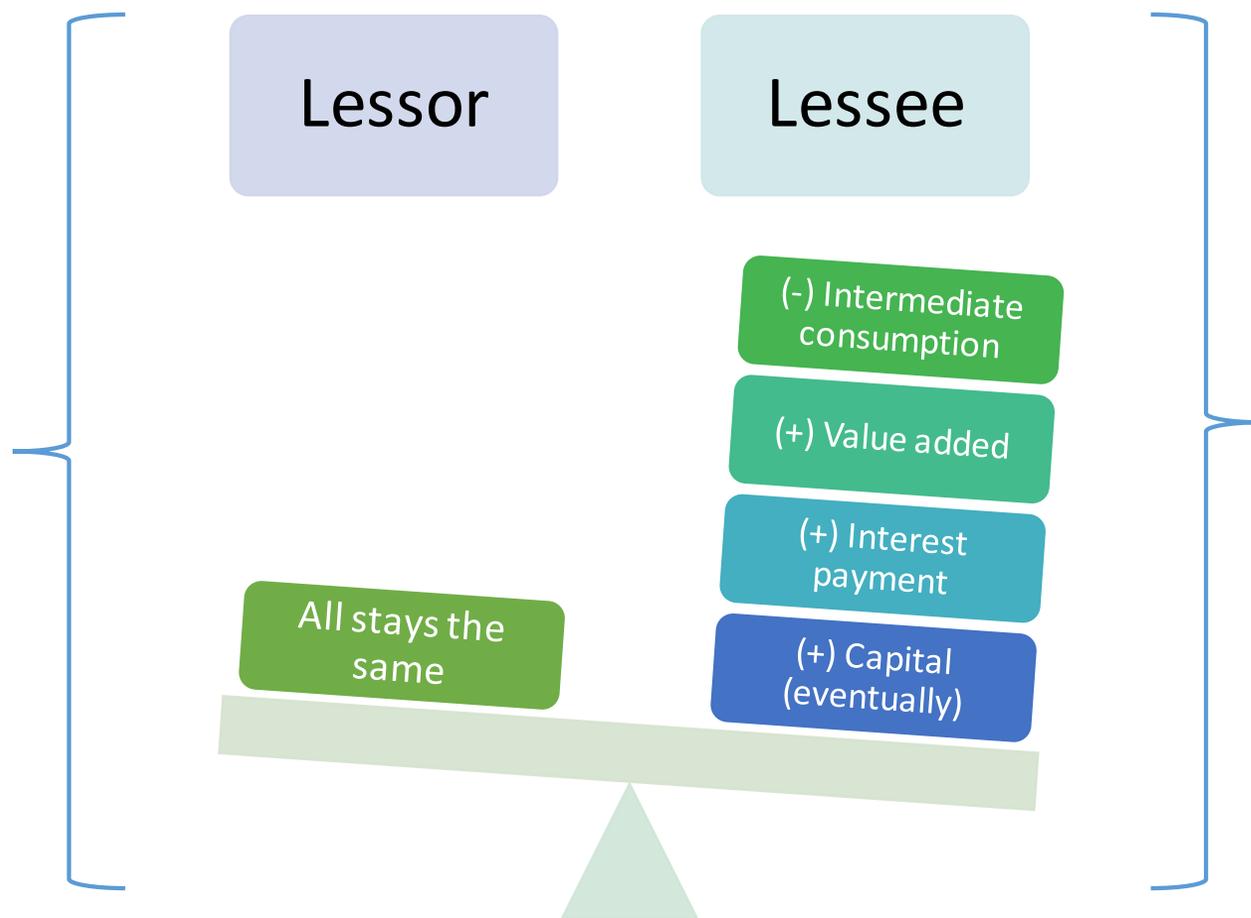
- Treatment of all types of leases is the **same**; lessees do not anymore distinguish between operating and financial leases
- **Control-based** approach for assigning an asset to its economic owner.
- Operating leasing – Lessor: continues to account for two types of leasing arrangements differently. Operating leasing register stays the same.
- Operating leasing – Lessee: **recognises** on its balance sheet an asset (“right-of-use” asset) and **liabilities** (obligation to make lease payments) **for all leases** with a term of more than 12 months, unless the underlying asset is of low value.



IFRS 16 (applies from 2019)

Implications of IFRS 16: imbalances in national accounts and balance of payments statistics

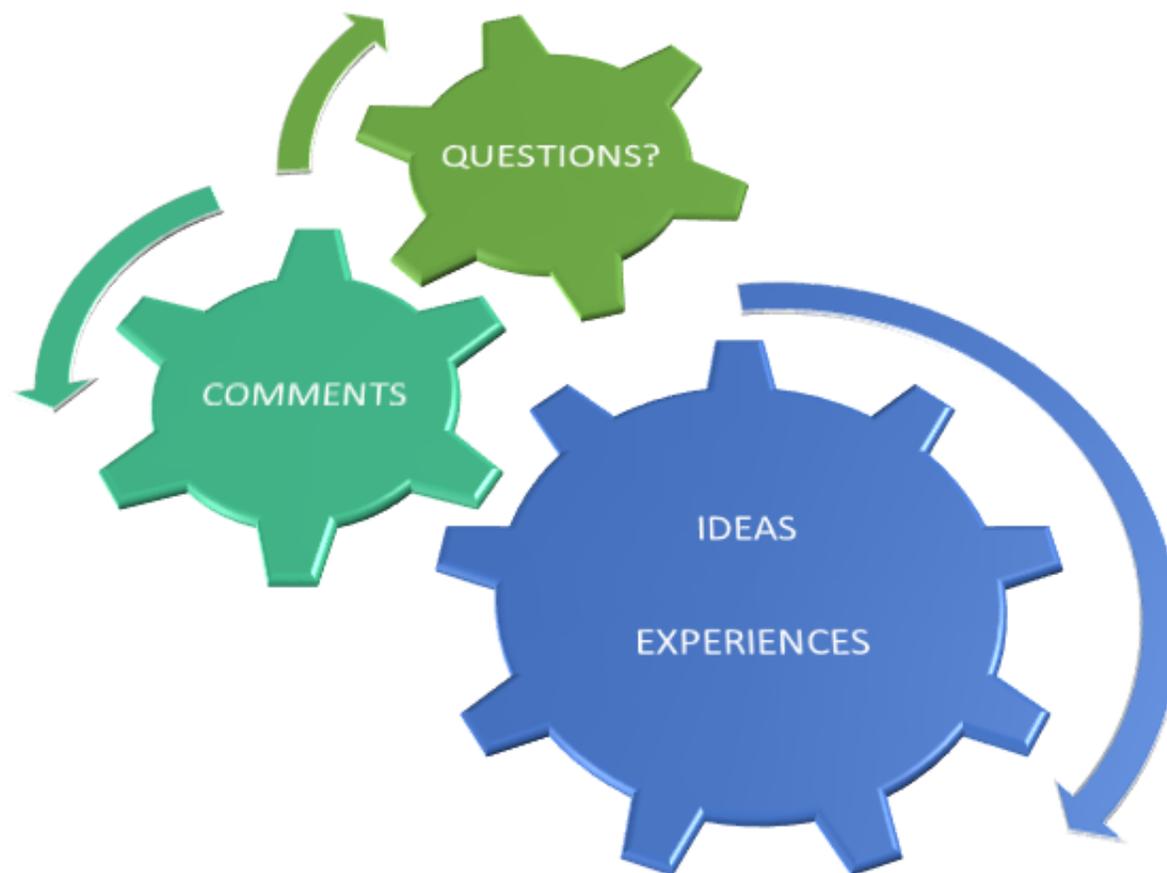
No implications for output and prices measurement



Alternatives to handle the accounting changes in order to continue following SNA 2008:

- modify statistical surveys
- use 'invoice' data
- model the flows on available stocks/flows data related to 'right-of-use' assets
- use data from lessors to obtain mirror data for lessees

Time for discussion!



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