

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Committee on Government Procurement

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LEASING

Communication from the Delegation of Japan

The following communication, dated 15 December 1982, has been received from the delegation of Japan.

1. Our observations concerning leasing under the Agreement on Government Procurement

The Agreement on Government Procurement covers only purchases of products, that is to say, transactions by which entities acquire ownership of products. Therefore, leasing with transfer of ownership falls within the scope of the Agreement, while leasing without transfer of ownership and pure rental which are both considered to be only purchases of services fall outside the scope of the Agreement.

2. Leasing practices in Japan

(1) Budgets of the entities in Japan are, in principle, compiled and implemented on a single-year basis and then permitting pure rental which effects no transfer of ownership. Though hire purchase, i.e. wherein payment is made by installment after the delivery of a purchased product, is considered to be a purchase covered by the Agreement, we do not use this practice.

(2) The Japanese Government has carried out a survey of leasing above the threshold value of SDR 150,000 in the entities listed in the Agreement. The result of the survey indicates that only pure rental practices are used. The products involved in pure rental practices are mostly computers and office machines which often become obsolete very quickly due to rapid technological innovation. By using pure rental practice the entities can avail themselves of the opportunity of updating their equipments.

(3) Procedures applied to pure rental practices by the entities are quite similar to those applied to purchases of products and they secure fairness and transparency based on the principle of national treatment and non-discrimination.