

AASB 1059 Service Concession

Feedback on service concession standard AASB1059

Definition of Public Service

The scope of the standard is:

This Standard shall be applied to service concession arrangements, which involve an operator:

*(a) providing **public services** related to a service concession asset on behalf of a grantor; and*

(b) managing at least some of those services under its own discretion, rather than at the direction of the grantor.

Public services is not defined in Appendix A. Section B4 and B5 has a heading “Public Service” but B4 defines a service concession arrangement and B5 defines a service concession asset. Neither paragraph defines the meaning of public service.

Paragraphs B6-B9 provide guidance on assessing the public services provided by an asset. One example provided is:

As another example, a hospital car park constructed by an operator as part of the arrangement to construct a hospital that largely provides public services would be considered part of the hospital service concession arrangement. The car park may provide limited ancillary services without affecting the assessment that the car park is used to provide public services. However, if the car park was not constructed as part of the hospital service concession arrangement (eg subsequent to the construction of the hospital or with a different party) and is largely of a commercial nature (eg car parking is available to the general public, including hospital patrons), the car park would be regarded as an asset that does not provide public services, and therefore outside the scope of this Standard.

GCHHS owns land on which the Gold Coast Hospital Carpark was constructed by a private financier. The carpark is independently run as a commercial operation and provides services to the public, not exclusively hospital patrons or staff. Therefore, per scenario 2 of the above example, GCHHS took the position that the carpark was a commercial arrangement and not a public service.

However, the auditors took the position that by virtue of the carpark being constructed on GCHHS land, it inherited the primary purpose of GCHHS which is to provide public services (scenario 1 above). GCHHS were required to recognise the arrangement under the service concession standard or have an unadjusted audit difference reported for the life of the agreement.

A point of confusion in the above example is that it presumes there is a service concession arrangement in place over the main hospital and discusses whether to recognise an attached carpark that has either been constructed as part of that arrangement or subsequent to that arrangement. It does not address the scenario where the hospital construction was government funded, and only the carpark is part of a build-own-operate arrangement on government land.

We recommend clarity be provided by the board as to what constitutes a public service. Specific guidance around commercial operations collocated with public service buildings on government land would be beneficial.

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