



6 May 2015

## Service Concession Arrangements Proposals for Public Sector Grantors

More government assets and liabilities will be recognised on balance sheet for major public infrastructure projects financed by the private sector, such as toll roads, hospitals and prisons (service concession arrangements (SCA)), as a result of new proposals issued by the AASB. Such projects will also be recognised earlier, generally from when construction commences, rather than when construction is completed. These changes are likely to increase reported government debt levels.

The AASB Chair, Ms Peach said that “The new proposals require a grantor, usually a government entity, to recognise the assets and liabilities of a service concession arrangement, based on who controls the service potential of the asset. This contrasts to the current risks and rewards approach in determining the accounting treatment. For example, with a toll road, demand risk may be with the operator where operator income is dependent on users paying tolls directly to the operator. However, if the government controls who may use the road, when it may be used, the price at which the tolls may be set, and the road must be returned to the government at the end of the concession period, the government should be recognising the asset and the associated liability.”

Ms Peach added “The proposals will affect all public sector entity grantors involved in a SCA. This includes grantors of an existing SCA that are not currently recognised. The proposals are expected to reduce the current divergent treatments and improve transparency of such projects within and across governments.”

Ms Peach further remarked that “Given the increasing number and dollar value of SCAs that the public sector is undertaking, I encourage all our constituents to understand the proposed requirements and their implications and have input into the development of the standard.”

The AASB is interested in receiving comments on the proposals from its constituents in both the public and private sectors. The proposals are contained in [Exposure Draft 261 Service Concession Arrangements: Grantors](#). Comments are requested to the AASB by 27 July 2015.

The AASB will conduct an extensive outreach programme on ED 261, including education sessions and roundtables in Brisbane, Canberra, Melbourne and Sydney in June. More details, including how to register for the events will be available on the AASB website shortly.

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