

Dr Keith Kendall
The Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West
Victoria 8007

Dear Dr Kendall *Keith*

**Exposure Draft - Fatal-Flaw Review Draft AASB 2021-X-
Amendments to Australian Accounting Standards – Modified
Retrospective Transition Approach for Service Concession
Grantors**

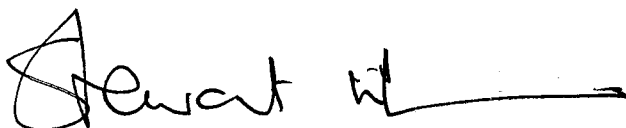
The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to respond to the fatal-flaw review proposing amendments to AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059).

HOTARAC supports the amendments as drafted and agrees with Option 1 as discussed in the ED's Basis for Conclusions. This is because without the proposed amendment, the Grant of a Right to the Operator (GORTO) liability at the date of initial application would be overstated, leading to an overstatement of grantor revenue in subsequent periods. Notwithstanding the short comings of this option as acknowledged in BC9 of the ED, we agree that on balance Option 1 is the most pragmatic option and better reflects the economic reality of the arrangement on transition.

We also note that a further shortcoming of Option 4 is that under a hybrid arrangement, Option 4 may overstate the GORTO liability during the construction period. This is because paragraph B74 requires the grantor, under a hybrid arrangement, to measure the financial liability portion of the liability first, with the remainder allocated to the GORTO liability. Applying Option 4 to service concession arrangements under construction may result in a GORTO liability being recognised before the financial liability is fully recognised, which is inconsistent with the requirements in AASB1059.B74.

If you have any queries regarding HoTARAC's comments, please contact Sean Osborn from the New South Wales Treasury on (02) 9228 5932 or by email to sean.osborn@treasury.nsw.gov.au.

Yours sincerely



Stewart Walters
CHAIR

Heads of Treasuries Accounting and Reporting Advisory Committee
2 June 2021