



Municipal Group of Valuers  
C/O PO Box 9500  
Middle Camberwell  
Victoria 3124

September 3, 2007

Mr David Boymal  
Chairman  
Australian Accounting Standards Board  
PO Box 204  
COLLINS STREET WEST VIC 8007

Email: standard@asb.com.au

Dear Mr Boymal

**Re: Exposure Draft 156**

Further to the above matter we welcome the opportunity to make comment. Our concern in relation to the Exposure Draft relates particularly to the issue of recognising the value of the land underneath the roads.

The Municipal Group of Valuers represents property and valuations professionals working for and in Local Government in Victoria. We are a sub-group of the Australian Property Institute. Our members currently generate all the property valuations used in Local Government reporting and would be responsible for valuing the land underneath the roads should it become a requirement.

As the issue has been on the agenda it has been a topic of technical interest for us for some time and various viable/possible approaches to the task have been posited. For example, since the roads - and therefore the land underneath them - facilitate the value of all the land they service, one argument has been that it is the most valuable land. Alternatively, the proposition has also been quite reasonably put that it has no discernable value in that it provides no income (if anything, extra cost derives from servicing it), it has no active market and historical cost is generally indeterminable.

The one factor that has emerged from all our discussions is that there is no empirically based historical evidence that will allow one to arrive at a definitive value for all the land underneath the roads. The concept is such a theoretical one that any approach one might use is totally arbitrary. No one method/approach is necessarily intrinsically superior or inherently better than another and the possible outcomes in terms of value reflect the full length of the spectrum from zero to the most valuable land.

What flows from this is that whether or not everyone uses the same one, many methods can be used to come up with a number. If this is the case, the question must be asked, how useful/constructive is this number likely to be? It calls into question whether the whole process has any efficiency.

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The Australian Accounting Standards Board's own Framework for the Preparation and Presentation of Financial Statements sets out qualitative measures that determine the usefulness of information in financial reports – namely; understandably; relevance; reliability; and comparability.

If we as the technical valuation experts have the view that the measuring of the value of land under the roads is arbitrary and even subjective in nature, then the exercise does not on the face of it meet the reliability test prescribed by your framework.

Also, if as our preliminary discussions with many/most of the stakeholders seem to indicate, there is no obvious decision making process that would be further informed by this information (however subjective), then there are also issues of relevance. In other words, there does not seem to be a discernable need.

This brings into question the issue of the balance between cost and benefit. Under your Framework, the benefits derived from information should exceed the cost of providing it. The task of determining the amount of land contained under the roads - let alone coming up with and applying one consistent methodology - should not be underestimated. Surely the benefits to the Local Government sector need to be demonstrated as a threshold issue to justify what will no doubt be significant costs.

In our view the issues we have raised need to be addressed before a requirement is imposed. We request that it not be introduced at this stage but be further held in abeyance until some of these matters are resolved.

We would be happy to work with the Australian Accounting Standards Board and the various stakeholders to further address the issues.

Yours faithfully,

Peter Fitzgerald  
Municipal Group of Valuers

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76 Years***