28 May 2010

Mr Kevin Stevenson
Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West
Melbourne VIC 8007
AUSTRALIA

Via email: standard@aasb.gov.au

Dear Mr Stevenson

Comments on Exposure Draft 194 Service Concession Arrangements: Grantor

Thank you for the opportunity to comment on the Exposure Draft 194 Service Concession Arrangements: Grantor. CPA Australia, the Institute of Chartered Accountants (the Institute), and the National Institute of Accountants (the Joint Accounting Bodies) have considered the above exposure draft (ED) and our comments follow.

The Joint Accounting Bodies represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

The Joint Accounting Bodies support the ED proposal. The International Accounting Standards Board (IASB) decision not to specify the accounting required of the grantor to a service concession arrangement has left a significant vacuum. The [proposed] Standard fills this vacuum for not-for-profit public sector grantors. We understand that on some occasions the grantor to an Australian service concession arrangement is a for-profit public sector entity (and is outside the scope of the [proposed] Standard]. We encourage the AASB to research this issue and share its finding with the IASB. Our submission to the International Public Sector Accounting Standards Board (IPSASB) is attached.

The Joint Accounting Bodies note that the IPSASB ED refers to the application of IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets* to determine the value of a performance obligation after initial recognition. The AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* definition of a liability is different from that used in IPSAS 19 – the latter includes the words "or service potential". We believe the different definitions may result in differences in the operation of the Australian [proposed] Standard and the international equivalent. The inclusion in the [proposed] Standard of an "Aus" not-for-profit paragraph definition of liability would overcome any difference.

If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) at mark.shying@cpaaustralia.com.au, Kerry Hicks (the Institute) at kerry.hicks@charteredaccountants.com.au or Tom Ravlic (NIA) at tom.ravlic@nia.org.au.

Yours sincerely

Alex Malley
Chief Executive Officer
CPA Australia Ltd

Graham Meyer
Chief Executive Officer
Institute of Chartered Accountants in Australia

Andrew Conway
Chief Executive Officer
National Institute of Accountants

28 May 2010

Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
TORONTO ONTARIO CANADA M5V 3H2

Email: edcomments@ifac.org; stepheniefox@ifac.org

Dear Stephenie

Exposure Draft 43 Service Concession Arrangements: Grantor

Thank you for the opportunity to comment on the International Public Sector Accounting Standards Board (IPSASB) Exposure Draft ED 43 *Service Concession Arrangements: Grantor.*

CPA Australia, the Institute of Chartered Accountants in Australia (the Institute), and the National Institute of Accountants (the Joint Accounting Bodies) represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

Australian grantors and operators have embraced service concession arrangements as an innovative way to provide infrastructure and deliver infrastructure-related services. Operators construct, manage and may control many of the major risks and benefits for 30 to 50 years associated with billions of dollars of investment in toll roads, airports, ports, railways, hospitals and water infrastructure. There may be some instances where control resides with the State.

In jurisdictions such as Australia where both private and public sector entities apply the full set of IFRS as adopted there has been a significant vacuum because of the IASB's decision to not take a holistic approach, and instead prescribe the accounting by the operator, and not specify the accounting required of the grantor, including Government Business Enterprises (GBE). The Joint Accounting Bodies understand that in Australia the grantor in the service concession arrangement is either a not-for-profit public sector entity or a GBE. We consider it appropriate that the IPSASB issue a Standard that fills the vacuum for not-for-profit public sector grantors. Accordingly, we consider it appropriate that the [proposed] Standard:

- addresses service concession arrangements from the grantor's perspective; and
- mirrors the principles set out in IFRIC 12 *Service Concession Arrangements* for accounting by the operator.

We note that the accounting for service concessions where a GBE is the grantor will remain unclear, since GBEs are rightly never within the scope of IPSAS and the IASB is yet to address the accounting for grantors. We encourage the IPSASB to work together with the IASB to address this anomaly.

We observe that the [proposed] Standard refers to assets used in a service concession arrangement as "service concession assets", whereas IFRIC 12 refers to such assets as infrastructure. We understand that the reason for the changed words is to avoid confusion with terminology already used in the public sector. Our acceptance of the revised terminology is premised on the condition that the types of service concession arrangements within the scope of the [proposed] Standard mirror those within IFRIC 12.

If you require further information on any of our views, please contract Mark Shying, CPA Australia via email at mark.shying@cpaaustralia.com.au, Kerry Hicks, the Institute via email at kerry.hicks@charteredaccountants.com.au or Tom Ravlic, the National Institute of Accountants via email at tom.ravlic@nia.org.au.

Yours sincerely

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