



7 December 2018

Australian Accounting Standards Board  
PO Box 204  
Collins Street West VIC 8007

Dear Sir/Madam

**Exposure Draft 286 – Right-of-Use Assets of Not-for-Profit Entities**

Thank you for the opportunity to comment on Exposure Draft 286.

State Transit Authority of NSW (the Authority) is a not-for-profit public entity for accounting purposes. The Authority is a controlled entity of Transport for New South Wales (TfNSW) and TfNSW is a controlled entity of the Department of Transport which is consolidated as part of the NSW Total State Sector accounts.

The Authority's principal activities are the provision of bus services in metropolitan Sydney under the Sydney Metropolitan Bus Service Contracts. The Authority delivers these services from 8 specialised depots utilising a bus fleet of over 1,460 buses. The depots (comprising land and buildings) and buses are provided to the Authority for its use by TfNSW under a peppercorn lease arrangement. TfNSW's strategy is for transport asset ownership to be consolidated provide an effective, efficient and commercial approach to the management of transport assets.

The Authority's view is that a *permanent option* be provided for not-for-profit entities in the public sector to measure right-of-use assets *at cost* for leases with significantly below-market terms and conditions principally to enable the entity to further its objectives ('peppercorn leases'). A *permanent option is desired* to avoid the:

- difficulties determining the fair value of the right-of-use assets due to the restrictions on the use, and the specialised nature, of the depots and bus fleet
- undue cost, resourcing issues, and effort to apply the principles in AASB 13 to determine the fair value of right-of-use assets arising from peppercorn leases
- distortions to the Authority's financial statements arising from measuring and depreciating right-of-use assets arising from peppercorn leases at fair value

The Authority is satisfied the additional disclosure requirements set out in the proposed paragraphs Aus59.1 and Aus59.2 will provide adequate information for users to understand the effects on the financial position, financial performance and cash flows of the Authority arising from its peppercorn leases.

Should you have any enquiries regarding this submission, please contact Manish Goel by phone (0409 226 015) or email ([manish\\_goel@sta.nsw.gov.au](mailto:manish_goel@sta.nsw.gov.au)).

Yours sincerely

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