



Dedicated to a better Brisbane

The Chairman
Australian Accounting Standards Board
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14 May 2008

Dear Sir,

I refer to your request for comment on IPSASB Consultation Paper *Accounting and Financial Reporting for Service Concession Arrangements*.

We have reviewed this paper with particular consideration of its requirements in the context of a \$2 billion plus arrangement we are currently a party to for the construction and operation of the Clem Jones (North-South Bypass) tunnel.

We support the AASB using the IPSASB's work on service concession arrangements to establish clear requirements regarding accounting treatment in an area of considerable uncertainty. In the absence of requirements specifically applicable to grantors, Council has found that the existence of Interpretation 12 *Service Concession Arrangements* has simply added to the confusion (from our point of view) in determining appropriate accounting treatment. Further, we understand it is unlikely that we will receive any direction on this issue originating from the IASB.

We are not aware of any regulatory or other issues arising in the Australian environment that may affect the implementation of the IPSASB proposals. In terms of our existing arrangement, we cannot identify any issues that would preclude us from applying the proposed criteria for appropriate recognition. We believe the requirements such as those relating to valuation of the resulting asset and liability are consistent with our current methodologies and could be practically applied.

We believe the IPSASB proposals would result in Council presenting financial statements that would be useful to users, with the materiality of our existing arrangement making this issue especially important. Among the various arguments based on criteria such as control and risk and reward, recognition in the Balance Sheet (as we believe the requirements would provide) particularly reflects the political risk Council is exposed to as grantor. In this case, the requirements would also mirror those of our operating partner under Interpretation 12.

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We consider that the IPSASB proposals are in the best interests of the Australian economy. To support the understanding of financial statements it is appropriate that the accounting treatment for service concession arrangements is consistent for all reporting entities. In the absence of specific direction for grantors, their application of other related requirements is likely to lead to a diversity of treatment.

With the construction phase of our project due for completion on or by 2010, Council disclosed the details of the underlying arrangement by way of a note to the 2007 annual financial statements and intends to do likewise for 2008. In this context, we would welcome the issuance of specific requirements as a proper basis for applying the appropriate accounting treatment for grantors in such arrangements as soon as possible.

Yours faithfully,



Jude Munro
CHIEF EXECUTIVE OFFICER