

Date
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Le Président

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Dear Ms Fox,

IPSASB Consultation Paper: Accounting and Financial Reporting for Service Concession Arrangements

1. FEE (Fédération des Experts Comptables Européens - Federation of European Accountants) is pleased to submit its views on this consultation.

General Comment

2. Overall we are pleased to see that the International Public Sector Accounting Standards Board is developing guidance on this issue. Service Concession Arrangements are significant in many European jurisdictions, and the development of IFRIC 12 and its exclusive focus on private sector financial reporting only serve to highlight the need for public sector guidance.
3. You will be aware of the considerable debate over the content of IFRIC 12, with which many commentators disagreed, particularly in respect of the focus on control rather than risk and reward. Although it is some time since the EFRAG recommended that IFRIC 12 be adopted, there has been continuing opposition within some jurisdictions, and it has yet to be included within the body IFRS as adopted by the European Union..
4. However, we recognise that while IPSASB has considered these issues afresh, given the more general alignment of IPSASs with IFRS there is a strong case for adopting a consistent approach.

Specific Matters for Comment

1. It is proposed that a grantor report the property underlying an SCA as an asset in its financial statements if it is considered to control the property. Criteria for determining control are proposed in the Consultation Paper. Do you agree with this approach and the control criteria identified? (See Paragraphs 28-104)

5. As noted above, many European commentators have expressed concern the over IFRIC 12's use of a control based approach rather than consideration of risk and reward. Having said this, given that IFRIC 12 has been published after full consultation and after completion of due process, FEE agrees generally with the approach proposed by IPSASB which substantially complements the Interpretation.

6. However, we consider that it would be more helpful if the control criteria were directly aligned with IFRIC 12, where they are framed in terms of 'significant residual interest' rather than 'residual interest'.

2. It is proposed that the underlying property reported by the grantor as an asset and the related liability (reflecting any obligation to provide compensation to the operator) is initially measured based on the fair value of the property other than in cases where scheduled payments made by the grantor can be separated into a construction element and a service element. In such cases, the present value of the scheduled construction payments should be used if lower than the fair value of the property. Do you agree? (See Paragraphs 105-140)

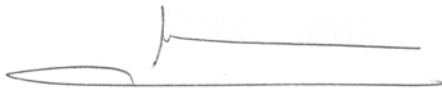
7. FEE agrees with this proposal.

3. It is proposed that contractually determined inflows of resources to be received by a grantor from an operator as part of an SCA should be recognized as revenue by the grantor as they are earned over the life of the SCA beginning at the commencement of the concession term, that is, when the underlying property is fully operational. These inflows generally should be considered earned as the grantor provides the operator access to the underlying property, and amounts received in advance of providing a commensurate level of access to the property should be reported as a liability. Do you agree? (See Paragraphs 191-196)

8. FEE agrees with this proposal.

9. We would be pleased to discuss any aspect of this letter you may wish to raise with us.

Yours sincerely,



Jacques Potdevin
President