

Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)

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**Swiss Comments to
ED 43: *Concession Arrangements: Grantor***

Dear Stephenie,

With reference to the request for comments on the proposed Exposure Draft, we are pleased to present the Swiss Comments to Exposure Draft 43: *Concession Arrangements: Grantor*.

We thank you for giving us the opportunity to put forward our views and suggestions. You will find our comments to ED 43 in the attached document.

Should you have any questions, please do not hesitate to contact us.

Yours sincerely,

SRS-CSPCP



Prof Nils Soguel, President



Sonja Ziehli, Secretary

Swiss Comments to ED 43

Swiss Comments to

ED 43: *Service Concession Arrangements: Grantor*

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1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) has discussed ED 43 *Service Concession Arrangements: Grantor* in its meeting on June 24, 2010 and comments as follows. The SRS-CSPSP was established in 2008 by the Swiss Federal Ministry of Finance together with the Ministers of Finance at the cantonal level. One of its aims is to provide the IPSAS Board with a consolidated statement for all the three Swiss levels of government (municipalities, cantons and Confederation).

2. Comments to Exposure Draft 43 *Service Concession Arrangements: Grantor*

Specific Matter for Comment

- The SRS-CSPCP agrees that in principle IPSAS (ED 43) is a mirror image of IFRIC 12. Nevertheless the expressions usual for IPSAS and the order of the content should be retained (e.g. *Definitions* instead of *Terminology*, *Scope* before *Definitions*).

Further remarks

- An IPSAS (ED 43) on service concession arrangements is very much welcomed.
- The AG IPSAS understands the reluctance of the IPSAS Board to create differences to IFRIC 12. However, the following expressions that are considered important should be listed and defined in the section Terminology or Definitions. This especially because it cannot be estimated how long would have to be waited for corresponding definitions in IFRIC 12.
 - Public service: where is the border, what is understood under this expression?
 - Operator
 - Key expressions, such as constructing/developing, operating, maintaining, because they are useful in determining whether it is a service concession arrangement.
 - For the purpose of the service concession arrangement: what is understood by the purpose of the service concession? What does it include and what not (narrow or broad interpretation)?
 - Time perspective: in the Implementation Guidance a medium or long term period is posited. This requirement is lacking in the classification of a service concession arrangement in ED 43.
- The SRS-CSPCP also prefers the control approach over the risk and remuneration approach. It appears more suitable for avoiding the creation of misdirected incentives (such as avoiding inclusion in the balance sheet).
- Clause 10 (page 10) defines when it is a service concession asset and the IPSAS (ED 43) applies. Both criteria must be met, whereby in particular the second – any significant residual interests pass at the end of the term of the arrangement to the government grantor – is regarded as important, with which the scope of ED 43 can be clearly defined.
- The SRS-CSPCP considers the disclosure requirements of Clause 27 (pages 12 and 13) to be extensive, but useful. There was a discussion as to whether certain items should be omitted, but there was no majority for this. As service concession arrangements are complex constructs and significant infrastructure assets, this should be disclosed to the addressees with comprehensive reporting.
- The comprehensibility of the flow chart on page 31 could be improved by adding the references to the corresponding sections.