

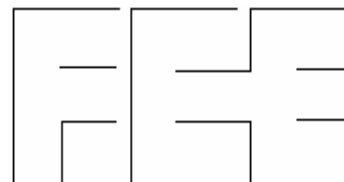
Date
2 March 2007

Le Président

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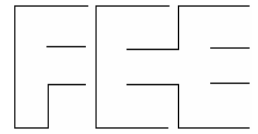


commentletter@efrag.org

Dear Mr. Enevoldsen,

Re: Draft Endorsement advice on IFRIC 12 Service Concession Arrangements

1. FEE (Fédération des Experts Comptables Européens, European Federation of Accountants) supports the EFRAG draft letter to Jörgen Holmquist recommending the adoption of the International Financial Reporting Interpretation on Service Concession Arrangements as published by the IFRIC on 30 November 2006.
2. On balance, we support the guidance provided by IFRIC 12 on the accounting by operators for public-to-private service concession arrangements. We believe that there is an urgent need for an interpretation in this area and that the technical concerns expressed – some of which we share – do not outweigh the benefits of having an interpretation. Therefore, we support EFRAG providing a positive endorsement advice.
3. We wish to share some general observations on the draft endorsement advice letter with you. In addition, we have set out some more detailed comments in the appendix to this letter.
4. We are concerned that a third party not having closely followed the debate within EFRAG gets the impression from reading the letter that EFRAG is against endorsement, given the tone of the letter, the structure of the letter and the length of the text on dissenting opinions. The letter needs to express more clearly that on balance the combination of the technical concerns does not prevent a positive endorsement advice for the standard. IFRIC 12 gives a pragmatic and reasonable answer to the demand of users and needs to be welcome despite some technical shortcomings.
5. We therefore suggest changing the structure of the letter as follows. The cover letter should present the main arguments why EFRAG provides a positive endorsement advice overall, by summarising the main ideas included in paragraphs 3, 5 (c), 7, 10, 25 to 30 of Appendix 2. The main dissenting views need also shortly to be addressed, based on paragraph 6 of Appendix 1. In this way, the cover letter would provide a logical introduction to the appendices setting out the EFRAG's Basis for Conclusions as well as of the dissenting views in the form of detailed arguments. The order of both appendices should also be changed so that the emphasis will be put on the reasons for supporting IFRIC 12. Finally, the Basis for Conclusions in our view should provide the main arguments in favour of endorsing IFRIC 12 rather than reacting to the dissenting views.



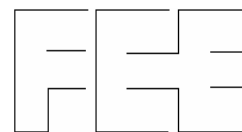
6. We wish to observe that IFRIC 12 excludes the key party of the Public Sector for which there are serious implications given the substance of some of the accounting requirements.
7. The most significant comments expressed by FEE during the exposure period were satisfactorily considered by IFRIC in the final interpretation and in the Basis for Conclusions.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jacques Potdevin'. The signature is written in a cursive style with a long horizontal stroke at the end.

Jacques Potdevin
President



Appendix

Detailed comments

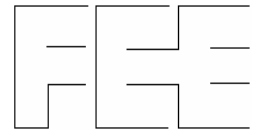
We would like to make the following more detailed comments, in addition to our general comments set out above. It also seems that the letter and its appendices contain various typos.

Covering letter

1. The penultimate paragraph of page 1, last sentence, implicitly quoting paragraph 8 of IFRIC 12, is incomplete since the last sentence of paragraph 8 on derecognition requirements is not quoted. Also, the accuracy of the comment may be questioned, particularly in light of Information notes 1 and 2 of IFRIC 12. We suggest either quoting or summarising paragraph 8 in full or alternatively to delete the last sentence.
2. The EFRAG advice in the third paragraph on page 2 refers to 'the' majority, whereas given that there are 4 dissenting members, it might be more accurate to say 'a' majority.
3. The last paragraph on page 2 may refer to the SARG (Standards Advice Review Group).

Appendix 1 Dissenting Views

4. By looking at the order of the appendices, it is questionable why the Dissenting views are given such prominence. We would have expected to see the appendix including the Dissenting views appearing after the appendix including the EFRAG's Basis for Conclusions.
5. We suggest including an introductory paragraph summarising why the dissenters have ultimately voted against the endorsement of the interpretation and introducing the key topics subject of dissenting views (such as moving paragraph 6 up in addition to expressing that there are two EFRAG members that have fundamental concerns on the model applied in IFRIC 12). This would facilitate the subsequent reading of the dissenting views appendix.
6. More generally, we find in various paragraphs that the reasoning of the dissenting views to arrive at certain conclusions are sometimes expressed in a confused way (such as in paragraphs 8, 11, 12, 14, 15, 16, 20). This may just be a question of drafting. Perhaps it would be appropriate to try to shorten or simplify the drafting to make the understanding of the arguments easier for an outside reader.
7. Paragraphs 4 and 5 address the dissenting views on lease accounting. It is not sufficiently clear to us why the dissenter concludes that application of an IAS 17 model would result in an operating lease necessarily.
8. Paragraphs 8 and 9 (and other paragraphs such as paragraph 11) on scope would benefit if specific examples were included. In addition, it is unclear what is the reasoning followed by the dissenters in paragraph 10 to conclude that "infrastructure used by private sector public service utility entities might fall within IFRIC 12's scope". We suggest that the dissenters explain the characteristics of such activities and how it is unclear whether they are in or out of the scope of IFRIC 12.
9. Some of the paragraphs setting out the dissenters' views seem to raise questions about implementation issues rather than to constitute objections on the interpretation being made. We are of the opinion that they should not be presented as dissenting views. Examples of such views are given in paragraphs 9, 16, 18, 23 and 24.



10. Wouldn't the concern expressed in the second sentence of paragraph 11 also be valid under the intangible asset model? The first sentence of paragraph 11 may give the impression that the issue is one just arising under the financial asset model.
11. We are of the opinion that paragraph 11 (b) incorrectly quotes IAS 32.11 (c) as far as the definition of a financial asset is concerned, in particular in relation to the use of the term "unconditional". Moreover, we are of the opinion that paragraphs 13 to 15 on "The premature recognition of guarantee-like financial assets" address a similar issue and therefore need to be presented combined with paragraphs 11 and 12 rather than separately.
12. Paragraph 22 provides a reasonable comment but it does not constitute a dissenting or assenting view. The last sentence of the paragraph "The dissenters believe that, if mechanisms that are fundamental to a contract are not adequately addressed in the accounting, it can be difficult for that accounting to reflect the substance of the arguments" is not unique to service concessions and risks to set an unnecessary precedent. We therefore suggest deleting the paragraph in its entirety.

Appendix 2 Basis for Conclusions

13. We believe that paragraph 7, linking the dissenters' and assenters' views, should become the second paragraph of the appendix.
14. We question the usefulness of paragraph 8. To say that IFRIC 12 is an interpretation of 14 standards is an overstatement. Moreover, the paragraph seems to present again the dissenters' views that were already presented in appendix 1. Therefore, we suggest deleting the paragraph. If the paragraph were to be maintained, we suggest saying that "IFRIC 12 addresses aspects of a number of standards".