acteo Association pour la participation des entreprises françaises à l'harmonisation comptable internationale

Mouvement des Entreprises de France
MEDEF

Chairman
EFRAG
13-14 Avenue des Arts
B-1210 Brussels
Belgique

Paris, March 1, 2007

Reference: Draft for comments – Adoption of IFRIC 12 - Service Concession Arrangements

Dear Mr Enevoldsen,

We, Acteo and MEDEF, appreciate the opportunity to comment on the EFRAG Draft for comments in relation to the adoption of IFRIC 12 *Service Concession Arrangements*.

At the time we commented on the draft interpretations D12, D13 and D14, our concerns were as follow:

- the dividing line between the two accounting models had not been drawn in accordance with the economic substance of the arrangements;
- the need for a mixed model had not been identified;
- progressive amortization of the intangible asset was being ruled out, although some service concession arrangements were likely to meet the rare circumstances specified in IAS 38.98.

In its redeliberations the IFRIC has taken into consideration all of our concerns and dealt with them in such a manner that IFRIC 12 as issued now designs sound and relevant accounting treatments for different types of concession contracts (service concession as well as infrastructure concession contracts). Beyond allowing for a fair reflection of the underlying economics of concession arrangements, IFRIC 12 proves to be fully workable, as those of our members who have already implemented IFRIC 12 can testify.

We are convinced that the application of IFRIC 12 will lead to significant improvements in the quality of financial information and will therefore improve financial analysis, comparability and, at the end of the day, will benefit to the European Concession business involved in activities meeting IFRIC 12 scope criteria.

Therefore we back the EFRAG intention to recommend the endorsement of IFRIC 12.

This being said, we understand nonetheless the concerns of some EFRAG TEG members that some IFRS accounting requirements have been interpreted in such a way (IAS 11 and 39 requirements in particular) that could lead to unintended and undesirable consequences if applied by analogy to different sets of facts and circumstances. We also share the view expressed by some EFRAG TEG members that IFRIC 12 wording has potentially left room for increased clarity or consistency. We however believe that these concerns do not prevent IFRIC 12 to meet the criteria set for adoption in the EU.

Although we acknowledge that this may not be sufficiently widely shared, we believe indeed that applying accounting requirements in IFRS by analogy relies on judgement and is nowhere mandatory. Misapplication is therefore not a necessary outcome. We would encourage EFRAG to help promote a more widely shared understanding of that best use of IFRS, instead of justifying some dissenting opinions on the risk of IFRS being misapplied. Moreover the other concerns related to drafting may in the future help identify IFRIC 12 as a candidate for slight revised wording as part of one of the IASB yearly minor non-urgent improvement project. In the meanwhile, IFRIC 12 should be adopted by the EU in order not to delay in any way the improvements it will bring to financial reporting in the Concession industry.

We would like to stress that the favourable outcome of IFRIC 12 for service concession arrangements has been met thanks to a very fruitful dialog between the IFRIC staff and industry representatives involved in activities addressed by IFRIC12 scope. We would like to thank EFRAG for having facilitated this constructive dialog in organising meetings of EFRAG Concession working group with the IFRIC staff. We wish to encourage EFRAG to promote such close consultation processes in the future.

At last, we would like to suggest to slightly modify the structure of the EFRAG opinion letter. We suggest to present the "basis for conclusions" immediately after the endorsement recommendation letter (dissenting views will be in second position) in order to document and give substance to the endorsement support .

Yours sincerely,

ACTEO

PATRICE MARTEAU
Le Président

MEDEF

AGNES LEPINAY
La Directrice des Affaires Economiques, Financières et Fiscales