



LES ENTREPRISES  
DE L'EAU

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FP/TM.FM

February 28th, 2007

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

Dear Mr Enevoldsen,

We welcome the opportunity to comment on the EFRAG Draft for comments in relation to the adoption of IFRIC 12 *Service Concession Arrangements*.

Our federation gather members, which have been deeply involved for years (more than 100 years for most of them) in water distribution services and sewage operated within the context of concession contracts in France. As such we have gained considerable experience in this area.

We are convinced that IFRIC 12 Service Concession Arrangements provides an appropriate accounting answer for our activities and will lead to significant improvements in the quality of financial information of our members since based on the substance of concession arrangements.

IFRIC 12 gives, for the first time at an international level, an exhaustive and homogeneous set of guidelines that addresses the diversity of service concession arrangements ("public service delegation" as well as "partenariat public privé" or "public private partnership" in English). It provides appropriate principles for the recognition and measurement of the particular rights and obligations encompassed in these types of contracts.

**We think that the so-called control approach is appropriate and we strongly support the main conclusions of the IFRIC.**

We especially want to emphasize our position on the following major items:

- ✓ we think that the scope is appropriate and our members have or anticipate no difficulty in applying it.
- ✓ regarding the double recognition of revenue under the intangible asset model we believe it is the logical consequence of the transcription of the economic reality.

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We are aware that some TEG members are afraid of a possible contagion of a stretched definition of a financial asset. Although we question the demonstration of this stretch, we are convinced that within the scope of IFRIC 12 the IFRIC guidance is appropriate. We also think that the proposed interpretation is better than the previous loophole in IFRS and that IFRIC 12 will establish a widely recognized industry practice in line with business models and would permit sound performance analysis.

**Consequently we strongly support EFRAG advice for adoption of IFRIC 12 *Service Concession Arrangements*.**

Finally, we would like to suggest the rebalancing of the letter to the European Commission. We think it would be preferable to position the “basis for conclusions” immediately after the letter (instead of dissenting views). Indeed, the “basis for conclusions” provides useful justifications of the EFRAG's endorsement recommendation.

Yours sincerely

Bernard Guirkinger

President