Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116 www.fasb.org Chris Barnard Germany

02 August 2013

- File Reference No. EITF-12H
- Service Concession Arrangements (Topic 853)

Dear Sir.

Thank you for giving us the opportunity to comment on your Proposed Accounting Standards Update: Service Concession Arrangements (Topic 853).

The objective of this proposed Update is to specify that an operating entity should not account for a service concession arrangement within the scope of this proposed Update as a lease in accordance with Topic 840, Leases. A service concession arrangement is defined as an arrangement between a grantor and an operating entity for which the terms provide that the operating entity will operate the grantor's infrastructure for a specified period of time. Importantly, the grantor controls or has the ability to modify or approve the services the operating entity must provide using the infrastructure, to whom the services will be provided, and the price that will be paid for the services. The scope of this proposed Update covers public-sector entity grantors.

I support these proposals, which will reduce diversity in practice. The proposals will improve comparability between entities that classify service concession arrangements, and will improve internal consistency with the proposed Update on Leases: the key issue here is that the operating entity does not have the right to control the use of the grantor's infrastructure.<sup>1</sup>

<sup>&</sup>lt;sup>1</sup> See proposed Update on Leases, paragraph 842-10-15-3, FASB, May 2013. A contract contains a lease if "...the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration". Compare with paragraph 853-10-15-3 of this proposed Update. In a service concession arrangement: "The grantor controls or has the ability to modify or approve the services that the operating entity must provide with the infrastructure, to whom it must provide them, and at what price."

Yours faithfully

C.R.B.

Chris Barnard