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Paris 28th April 2005

Le Président

AB/PS

N°281

EFRAG

Mr Bart De Leeuw

Avenue des Arts 41

1040 Brussels ,Belgium

Dear Bart,

Re: EFRAG comment letter on IFRIC Draft Interpretation on Service Concession Arrangements

I am writing on behalf of the CNC to express our opinion on the above-mentioned EFRAG draft comment letter.

Firstly, the conclusion to your covering letter refers to « concerns (that) call into question whether the draft interpretations adequately address the problems relating to the accounting for service concession arrangements in an acceptable manner. » However, it is not clear exactly what the EFRAG position is regarding endorsement. Are there vital issues, which must be addressed for you to recommend endorsement? If so which ones? Do you consider that we have no choice but to accept the Interpretation? If so which issues can be dealt with at a later stage?

We share the concerns you have expressed and indeed have additional ones, which we have outlined below. Our detailed comments are set out in Appendix1to this letter.

We agree that a full Accounting Standard is necessary. However, as you say it is urgent to find a solution for 2005 and 2006.

We therefore suggest the following approach :

1.Maintain existing accounting practices for 2005

As you say in answer to Q4 of D12 we should avoid two successive accounting changes and in view of the late delivery of the Interpretation the « grandfathering » solution would be best for 2005

2.Make the Interpretation viable for 2006

There are major unsettled issues raised by the Interpretation (see below). A compromise will be necessary for 2006 and any outstanding issues would be taken over in the preparation of a new standard.

3.Recommend that the IASB start the development of a full Accounting Standard

A clarification of the scope, the validation of the control concept and a full treatment of the revenue recognition problems relating to very long-term concession arrangements would be issues.

We consider that the following major issues raised by the Interpretation are outstanding and have classified them according to whether we agree with the EFRAG or not:

1.CNC in agreement with EFRAG

1.1The Scope is too narrow

The Interpretation deals exclusively with « Build and Operate » contracts and the accounting models are designed to deal primarily with the building phase. Although the ultimate objective of a concession is to outsource a public service, the problems of dealing with a long-term service contract receive little attention. This may explain why the scope is focused on the criterion,« control » over the infrastructure, rather than on the « risks and rewards » of operating a long-term service contract.

The scope should be clarified and or extended with respect to :

- concessions with no initial building phase
- partially regulated contracts
- automatic renewal situations with regard to the grantor's residual interest
- regulated public service contracts where the operator is owner of the infrastructure

We are concerned that concessions of a similar nature may well be treated differently because they are in one of the above categories and considered outside scope.

A suggestion for the future accounting standard could be to define the scope with respect to types of contract or business model.

1.2 Clarification of reasons for preferring the control approach to the « risks and rewards »approach

We agree that the justification for abandoning the « risks and rewards » approach given in D12 BC 11 is insufficient. As stated by the EFRAG, the « risks and rewards » approach is used in other standards, for example to determine recognition of an asset by the lessee to a Finance Lease in IAS 17 or « control » over a « Special Purpose Entity » in SIC 12.We should therefore be clear as to why it should not be applied to the operator, whom many would consider as entitled to the risks and rewards of the concession.

1.3 The validity of the control concept

According to the EFRAG, the grantor may stipulate the services to be provided without defining the asset to be used in a concession, as opposed to the situation addressed by IFRIC 4. We are uncertain as to how frequently this situation occurs. However, it would seem to imply that a scope definition based on who controls the assets might be less appropriate than one based on the nature of the service and the corresponding risks and rewards assumed.

It would also tend to invalidate the idea that control over output is control over the asset and hence the recording of the infrastructure in the grantor’s books.

Moreover, the control concept defined by the IFRIC cannot be directly inferred from IAS 16 and the Framework as stated in D12 BC9 to 11.The term « control » is defined in relation to companies in IAS 27 and SIC 12 but no definition of control over tangible assets exists in IAS literature. This new concept therefore requires validation to determine whether it can be applied more generally i.e. other than to concessions and to ensure there is no contradiction with existing standards and interpretations such as IFRIC 4 « Determining whether an arrangement contains a lease ».

We therefore share the EFRAG’s concerns with the respect to the control concept but doubt that it is realistic to expect all of the issues to be resolved in time for application in 2006.

1.4 Determining the accounting model

1.4.1We agree that a risk approach should be preferred to the « primary responsibility for payment ». We suggest that the choice could be made according to whether the amount of the operator’s income is guaranteed by the grantor (Financial Model) or not (Intangible Model).

The choice of model might be made for part and not necessarily the whole of a contract.

1.4.2We are not satisfied that the difference in the timing of results for the two models, as illustrated by the examples, is economically justified.

1.5 Dissatisfaction with the Intangible Model because revenue exceeds cash inflows.

We agree but we would eliminate this problem because we do not consider there is an exchange under the Intangible Model and therefore there is no « excess » revenue generated. (See our answer to D14Q1).

2.CNC in disagreement with EFRAG

2.1.The discharge of each contractual obligation gives rise to revenue under the Financial Model (seeD13Q1)

We consider this method generally inapplicable to concession contracts, which are generally drawn up on a global basis without recognising separate prices for separate obligations. We regard the obligations as giving rise to contract costs to be provided for appropriately over the life of the concession (see2.4 below).

2.2Applying IAS 11 operators might recognise different profit margins on different activities undertaken within a single service concession contract. (SeeD13Q2)

We disagree because the interpretation does not have a sound basis in IAS 11, is inapplicable to many concessions which have unsegmented contracts and especially because it is liable to allow risky profit anticipation.

2.3 Recognition of revenue on receiving an intangible asset in exchange for construction services (seeD14Q1)

We consider there is no « commercial substance » to the exchange, as it does not produce extra cashflows for the operator (see IAS38§46). The construction costs are payments to acquire an intangible asset: there is no exchange and no revenue. The Efrag position on this point appears in contradiction with the concern not to have revenue exceeding incoming cashflows. (See 1.4above)

The different revenue recognition issues raised in points 2.1 to 2.3 above should be dealt with by a full standard.

2.4 Difference of accounting treatment for maintenance and repair obligations under the two models (see D14Q3)

A difference of treatment has no economic basis . A common approach is required based on the principle that maintenance and repairs are contract costs. The income, which covers these obligations, is generally spread evenly over the life of the concession and the corresponding costs should be accrued accordingly. If this position cannot be reconciled with IAS 37 then the approach outlined in the illustrative example to D14, which spreads costs over the period until the work is carried out, could be a standby solution until this question is properly dealt with in a full standard.

Conclusion

We recommend that issues raised in 1.1 to 2.4 above should be dealt with, where possible, before issuing a final Interpretation. However, where these issues can only be dealt with by a longer due process, such as in the development of a new standard, we believe that a compromise should be reached to ensure that guidance is available for 2006.To attain the latter objective, it may be necessary on practical grounds, to accept the control concept provisionally and focus on the choice of the accounting model. We would, however, not compromise on the distortions caused by the Intangible Model as stated in 1.5 and 2.3 above nor would we accept two different methods of providing for contract repairs and renewals (see2.4). Finally, we find the principle of profit taking on unsegmented contracts (see2.2 above) unacceptable.

Kind regards

A.Bracchi

Appendix 1 attached

APPENDIX 1

Detailed comments on Drafts D12, 13,14 as per EFRAG Comment Letter

SERVICE CONCESSIONS INTERPRETATION D12 DETERMINING THE ACCOUNTING MODEL CNC REMARKS ON THE EFRAG DRAFT COMMENT LETTER

D12 – determining the accounting model

SCOPE OF THE INTERPRETATION

Although the IFRIC does not ask for comment on scope issues and the EFRAG only deals briefly with the subject in its covering letter the CNC wishes to comment, particularly with a view to developing a full standard.

1.The Interpretation deals exclusively with « Build and Operate » concessions

Although concessions without an initial building phase are not explicitly excluded, the accounting models have been designed to deal with an initial building phase, which results in the recording of a financial or intangible asset for the operator. It is not clear how these models would be applied to « maintain, repair, restore » situations .In fact, some consider these situations outside scope and a clarification would therefore be welcome.

2.The Interpretation seems to refer implicitly to two different business models on which the accounting models are based but without actually defining them.

Behind the Financial Model we believe there is implicitly a « PFI Model »: for example, hospital management with a « fixed income » paid by the state and no demand risk.

Behind the Intangible Model we believe there is a « Demand Risk Model » where the recovery of the operator's investment is significantly exposed to demand risk, for example a motorway where the users pay the operator.

We suggest that the scope and accounting models could be defined by reference to such business models which would combine the existing definition, public service « outsourcing » and a retained interest in the infrastructure, combined with a risk feature: demand risk, availability risk etc. The risk feature could be declined either at contract level or by contract segment or asset.

3.The scope definition is likely to lead to different accounting treatment for similar concession arrangements unless borderline cases are clarified

This situation is likely to arise for :

1.Partially regulated contracts where the operator has a right to use freely some part of the infrastructure and fix prices accordingly.

2.Preexisting assets of the operator used in the concession as compared to the infrastructure built or acquired on behalf of the grantor.

3.Contracts where renewal is automatic either because there in no other operator (monopoly situation) or because this is a term of the contract or a business practice.

Q1 The recognition criteria for concession infrastructure. The Ifric selected an approach based on who controls the infrastructure rather than on the risks and rewards of ownership. Do you support the approach selected?

EFRAG position: questions the appropriateness of the control approach based on the notion that the entity that controls the output of an asset also controls the asset itself, whereas it ignores the possibility that the grantor has stipulated the services, the persons to whom they are to be provided and the prices but not which assets are to be used. The control tests set out in paragraph 5(a) of D12 have the potential to be very form based, and as a result may not be robust enough. Finally, EFRAG is not yet convinced that it is appropriate to disregard demand risk. Therefore, EFRAG believes that the reintegration of the demand risk feature into the Interpretation is essential.

Do constituents support this view and if so do they believe demand risk should be inserted at the point of the control test i.e. D12 §5 or to determine who has primary responsibility to pay?

BC 21 clarifies that existing infrastructure of the operator should continue to be recognised by him unless the IAS derecognition rules are met, even if the grantor controls the asset. This might cause a conflict between the control concept and the derecognition rules of IAS 18

There seems to be a conflict between D12 and IFRIC4Determining whether an arrangement contains a lease: under D12 §5the control test can be met without the grantor knowing precisely which assets are being used by the operator whereas IFRIC 4 requires the use of a specific asset.

It is not clear whether a concession where the operator has partial control over the pricing policy is outside scope (seeAG C3).

CNC position:

We share the EFRAG's concern that the control concept might not be appropriate:

1.The grantor may stipulate the services to be provided without identifying the assets to be used

We are uncertain as to how frequently this situation described by the EFRAG occurs.

It would tend to invalidate the idea that control over output is control over the asset and hence the recording of the infrastructure in the grantor's books.

Moreover, it would seem to imply that a scope definition based on who controls the assets might be less appropriate than one based on the nature of the service and the corresponding risks and rewards assumed.

2.The IFRIC has not given sufficient justification for abandoning « the risk and rewards » approach (seeD12 BC 11: control more « durable », risks and rewards leads to « complexities and inconsistencies »)

3.The justification of the control concept (see D12 BC9 to BC11) as an interpretation of IAS 16 combined with the definition of an asset in the framework is tenuous.

4.It remains to be seen whether this concept could be applied to other circumstances than concessions and whether it is coherent with other standards and interpretations (IFRIC 4?).

5. Should demand risk be inserted at the point of the control test i.e. D12 §5 or to determine who has primary responsibility to pay?

The question as to who, in substance, bears the investment risk and benefits from the operating profit during the life of the concession would be central to both determining who recognises the infrastructure and which accounting model to apply, as these two questions are linked.

6. We agree with the EFRAG that the application of the control concept could give rise to inconsistencies in scope definition:

6.1The scope exclusion of existing infrastructure assets of the operator (D12 BC 21) as opposed to infrastructure built or acquired by the operator, which are within scope, could lead to different accounting treatment of identical assets in identical concession arrangements.

6.2 The case of partially- regulated contracts is another example of concessions that might be wholly or partially excluded from scope .The EFRAG example refers to the operator's partial responsibility for pricing policy. Examples exist in the waste management business where a part of the capacity of the infrastructure might be available for the operator on an unregulated basis.

Q2. Distinguishing criteria for the two models

The operator should apply the financial asset model only if the grantor has primary responsibility for payment. Do you agree? If not what criteria would you use to determine whether the financial model should apply? How would you reconcile those criteria to the definition of a financial asset set out in IAS 32?

EFRAG position: The current draft simplifies the choice of the model. However, the primary responsibility to pay puts too much emphasis on the form rather than the substance of the arrangements. The demand risk should also be applied to determining whether there is a financial asset. The EFRAG thinks there might also be a contractual right to receive cash, and thus a financial asset, where the grantor guarantees the payment. (IAS 32AG8: the ability to exercise a contractual right may be contingent on a future event, such as the use of a guarantee)

CNC position:

We agree with the EFRAG that the primary responsibility for payment is not a valid criterion for determining whether the financial model applies.

In practice, the application of this distinction could lead to similar contracts being treated differently. The motorway, with a shadow toll paid by the government, will be treated under the financial asset model whereas a similar contract where the users pay will be treated as an intangible.

There are many situations where it will be difficult to situate the dividing line. Where the grantor has partial responsibility or provides a form of guarantee, for example when the user pays the operator, but the grantor provides investment and operating subsidies equivalent to 70% of the financial requirements of the concession, who has primary responsibility for payment?

We would therefore suggest that the Financial Model would only apply where income is guaranteed by the grantor i.e. there is no demand risk for the operator. In all other cases the Intangible Model would apply.

We would also suggest that the choice of model need not be made for a whole contract but for a part of a contract to which a guarantee applies. We therefore agree with the EFRAG interpretation of IAS 32 AG8.

Q3.The identity of the parties with primary responsibility to pay for the concession services should be determined by reference to the substance of the contractual arrangements (which would not be affected by, for example, changing the parties through whom payment is routed). Do you agree with this proposal?

EFRAG position :The EFRAG agrees but asks for guidance on how to evaluate the substance of the contractual arrangements, for example where the operator is partly paid by both grantor and users. A possible solution could be to split the contract in two: a receivable component payable by the grantor, and an intangible component paid by the users.

CNC position:

We agree with the EFRAG.

Q4. First application

The IFRIC aims to issue the Interpretations D12, 13,14 in final form « before the end of 2005 ». Subject to achieving this aim, the three Interpretations should be applied for annual periods beginning on or after 1 January 2006.Do you agree?

EFRAG position:

The Final Interpretation should be issued well before the end of 2005.However, companies reporting to the capital markets on an interim basis in 2005 will have no guidance and could be faced with two successive accounting policy changes (first to apply existing IFRSs and then to adopt the Interpretation). This inconsistency is unhelpful to users of financial statements.

Efrag supports full retrospective application unless impracticable. Where impracticable and the previous carrying amounts are used it will be important to ensure that such prospective application will not result in carrying forward capitalised losses or interest.

CNC position:

We agree with the EFRAG's analysis but we believe that we should go further :

1.In order to avoid two successive accounting policy changes and to give clear guidance for 2005,it would be preferable to allow the continuance of existing practices for 2005.This would preserve the comparability of each operator's results and give clearer information to the financial markets.

2. No guidance is given on concession liabilities although their number and complexity of recalculation is considerable. The treatment for items such as amortisation, renewal provisions and grants that may currently be treated as liabilities, needs clarification. We seek confirmation that the « no remeasurement » requirement for assets is also applicable to corresponding liabilities .In this case, where the existing liabilities apply to tangible assets, would they simply be reclassified in deduction of the intangible asset ?

D13 - The financial asset model

Q1. The discharge of each contractual obligation (including obligations to repair and maintain the infrastructure) gives rise to revenue for the operator - Do you agree?

EFRAG position: We agree but provide a fuller explanation of how it should be applied.

CNC position :

The basis for this assertion is in IAS 11 Recognition of Contract Revenue and Expenses §26 :

« Under the percentage of completion method, contract revenue is recognised as revenue in the income statement in the accounting periods in which the work is performed. »

However, in general concession contracts will not be structured in such a way as to enable a breakdown of the price by contractual obligation. There would often be an overall negotiation with one price to cover the cost of all contractual obligations. Some contracts would recognise separately the price of building the infrastructure but individual repairs and renewals would not generally be priced separately.

We therefore consider this principle generally inapplicable to service concessions and suggest that the EFRAG comments should make this clear.

Q2. Applying IAS 11, operators might recognise different profit margins on different activities undertaken within a single service concession contract. - Do you agree with this conclusion?

EFRAG position: We support the line of thinking expressed in BC6 and BC7.Some TEG members add a disclosure requirement of profit margins used on different activities undertaken within a single service contract.

CNC position:

The CNC understands that the above question addresses the issue of unsegmented contracts (« single service contract ») and has answered accordingly.

IAS 11 §8 Combining and Segmenting Construction Contracts stipulates:

« When a contract covers a number of assets, the construction of each asset shall be treated as a separate construction contract when:

(a) separate proposals have been submitted for each asset ;

(b) each asset has been subject to separate negotiation and the contractor and the customer have been able to accept or reject that part of the contract relating to each asset ;and

(c) the costs and revenues of each asset can be identified. »

It is a question of fact as to whether these conditions are met .It is our understanding that the « Build and Operate » contracts envisaged in this Interpretation do not often meet the above conditions. Whilst « Build » and « Operate » represent two distinct activities they would often be negotiated as a global package. If there is no contractual justification for segmentation including separate price and separate payment or an equivalent guarantee, the recognition of different profit margins on building and operating is liable to become an arbitrary practice with a distinct risk of anticipating unrealised profit: for example, in a "Channel Tunnel" scenario where after taking a profit on the building phase, market conditions below expectations give rise to trading losses.

We also believe that the IFRIC's reasoning in BC6 and BC7 is faulty because it suggests that the stage of completion method, via the fair value of work performed, justifies the breakdown by activity of otherwise unsegmented contracts .If the intention of the parties was to contract on a global basis with an overall price, then the fair value of the work performed would be determined by reference to the global price. We believe that the IFRIC has assumed that the contract is already segmented or "segmentable", which would not generally be the case.

We therefore disagree with the EFRAG for supporting the IFRIC interpretation which, in our view, does not have a sound basis in IAS 11, is inapplicable to many concession contracts and could give rise to risky profit anticipation.

Cash Allocation under the Financial Model

The draft Interpretation does not give guidance on how to allocate cash flows between amortisation of the financial asset and income. In particular, guidance is sought when actual cash flows differ significantly from forecast. Guidance would help to avoid possible arbitrary allocation affecting reported results.

Many concession operators have requested guidance and we would suggest this could be added to the EFRAG comments.

SERVICE CONCESSIONS INTERPRETATION D14 – THE INTANGIBLE ASSET MODEL

CNC REMARKS ON THE EFRAG DRAFT COMMENT LETTER

D14 - The intangible asset model

Q1. The operator is regarded as receiving an intangible asset in exchange for the construction or other services it provides to the grantor. Paragraph 7 of the draft Interpretation proposes that the operator should recognise profit and loss on that exchange. Do you agree with that proposal?

EFRAG position: We agree. because we follow the line of thinking in paragraph 12 of IAS 18 which states that when goods or services are rendered in exchange for dissimilar goods or services,the exchange should be regarded as a transaction that generates revenue. However as mentioned already, one of the main concerns is that the application of the two different models will lead to different revenue recognition although the substance of the transactions is economically very similar.

CNC position:

We think that the EFRAG position is somewhat self-contradictory: to regard the exchange as a revenue generating transaction at the same time as regretting that revenues under the Intangible Asset Model exceed incoming cashflows as stated in the covering letter.

We take the view expressed in BC9 of D14 that there is no exchange and, as a consequence, no profit or loss recognition. We do not believe there is any commercial substance to an exchange on the grounds that it does not generate extra cash flows for the operator (see IAS 38§46). We regard the construction costs as payments to acquire an intangible asset .We disagree with the principle of the exchange on the grounds it has no contractual or economic basis. Furthermore, it leads to accounting for a "notional" turnover which does generate a cashflow and causes an artificial difference compared to the Financial Model .The recognition of profit or loss on an exchange is related to the segmentation issue examined in Q2 of D13.For the reasons already mentioned, we consider that the conditions for segmenting the concession contract are not generally met.

For the above-mentioned reasons we disagree with the EFRAG.

Q2. The draft Interpretation does not specify the timing of recognition of the intangible asset. The Ifric identified three possible approaches. Do you agree that the proposed Interpretation should remain silent on this matter? If not, which of the three approaches do you think should be specified and in which circumstances?

EFRAG position: the Interpretation should be more specific with respect to the timing of recognition of the intangible asset. It should also explain the basis for the approach chosen. In alternative (c) the operator will receive an intangible asset only after it has completed and finalised the construction phase. Until then, it is argued, there is no intangible asset to recognise. This alternative is illustrated in the example attached to the Interpretation and the EFRAG supports it.

CNC position:

We agree with the EFRAG that the Interpretation should specify the timing of the recognition of the intangible asset .The three approaches outlined by the IFRIC lead to a wide range of potentially different accounting treatments during the construction phase with possibly

Significantly different impact on the financial statements .To leave this question open would not favour standard treatment and comparability.

Our view is that we should recognise the intangible as from when the operator is entitled to charge the user, as this seems a pertinent recognition criterion for an operating right. This would often coincide with the completion of the infrastructure. However, in some cases, where the operator is entitled to charge in advance of performing the contractual obligation this could lead to accounting for a renewal or a network extension before the work is carried out, in which case it would be necessary to set up a corresponding liability.

Our position is therefore somewhat different to that of the EFRAG.

Q3. The proposed requirements for maintenance and repair obligations in this draft Interpretation are different from those in D13 Service Concession Arrangements –The Financial Asset Model.Do you agree that the Ifric has interpreted existing IFRSs correctly in respect of these proposals ?

EFRAG position :

Assuming that the two accounting models would be designed to produce different accounting treatments (a solution which we do not favour),we agree with the interpretation and the resulting difference in treatment between them .Under the intangible asset model ,a repair obligation is recognised and measured in accordance with IAS 37 Provisions ,Contingent Liabilities and Contingent Assets , i.e. at the best estimate of the expenditure required to settle the present obligation at the balance sheet date .

It is assumed that the terms of the operator’s contractual obligations are such that the best estimate of the expenditure required to settle the obligation at any date is proportional to usage of the asset by that date and(normally)increases on a periodical basis(yearly).The operator discounts the provision to its present value in accordance with IAS 37.

Under the financial asset model ,all contractual obligations are obligations in respect of which revenue is recognised ,which means that they are measured on the basis of the amount of revenue received as correctly interpreted by the IFRIC.

CNC position :

We disagree with the EFRAG position .

We do not accept that Service Concession arrangements having similar economic substance should receive different accounting treatment ,namely significant timing differences in revenue recognition .We see no economic justification for identical contractual obligations receiving different accounting treatment under the two models .In addition, we believe that the assumption that “all contractual obligations are obligations in respect of which revenue is recognised” is inconsistent with the substance of most concession contracts.

As already stated , in our reply to Q1 and Q2 of D13, we believe that concession contracts would not generally identify separate prices for individual contractual obligations e.g. individual repairs or renewals .There would be an obligation to repair and renew which would be covered by the global price charged the user or the grantor .Such obligations give rise to operating costs and not to income unless the contract specifies otherwise.

A common approach should be defined for the two models based on the principle that ,where the contract does not specify separate billing for each contractual obligation, these obligations should be treated as contract costs and provided for accordingly in accordance with IAS 37. We assume that the contract price would be fixed in such a way that it is expected to cover the cost of these obligations over the life of the concession .We would therefore recommend that the corresponding costs be spread over the life of the concession .We are conscious that this principle does not correspond to the IFRIC interpretation of IAS 37.

In the Illustrative Example of D14, the resurfacing obligation is considered to accrue evenly over the operating period up until the work is carried out (periods 3 to 8). As a result, periods 9 and 10 do not bear any share of these costs.

We would therefore recommend that a specific accrual principle should be defined for concession contractual obligations whether chargeable against revenue or as capital items as part of the scope of a full standard, and that in the meantime the IAS 37 interpretation as stated above could be applied to items charged against revenue.

Paragraphs 9 and 10 of D14 set out the contractual obligations included and excluded from the consideration given for the intangible asset. A key distinction for what should be included is contained in the term « enhancement ». Some examples and illustrations of what constitutes « enhancement » are considered necessary e.g. increase in installed capacity? change in contract specification?

A specific interpretation ,ultimately as part of a full standard , is required to determine the recognition and measurement principles for contractual obligations under Service Concession Arrangements .

Amortisation methods for the Intangible Asset Model

Given the impact of the choice of the amortisation method on the financial statements, many would like a specific interpretation of IAS 38 §98 applicable to concessions.

In particular a clarification is requested as to:

- The unit of production method

Under what conditions (e.g.significant fluctuations in the use of the infrastructure) this method could be applied.

- Lower amount of accumulated amortisation than under the straight- line method

What would constitute “persuasive evidence” to support this?