

## International Association of Consultants, Valuators and Analysts

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International Valuation Standards Council  
41 Moorgate  
LONDON EC2R 6PP  
United Kingdom  
By email: [CommentLetters@ivsc.org](mailto:CommentLetters@ivsc.org)

Ladies and Gentlemen,

This letter of comment is submitted on behalf of the International Association of Consultants, Valuators and Analysts (IACVA), a member of the International Valuation Standards Council (IVSC) and the World Association of Valuation Organizations (WAVO). We are a knowledge transfer and credentialing organization with Charters covering the 55 countries listed in the Appendix and serving about 10,000 members who are mainly involved in business valuation and fraud deterrence.

As a worldwide organization, we are extremely concerned with the development of the standards related to valuation especially in Canada (an IFRS country), where we are incorporated, as well as in the United States, which has, at the moment, a majority of our members.

We appreciate the opportunity to comment on the Exposure Draft of a Technical Information Paper (TIP) "*Valuations of Specialised Public Service Assets*". Our views are as follows:

1. Some of the challenges that arise in valuing specialised public service assets result from similar assets being cash-generating when owned by a for-profit entity and non-cash-generating when owned by a not-for-profit or public benefit entity. The Board's initial view is that it is the characteristics of an asset and the service it provides that are relevant to its valuation. Others argue that the status of the owner can be a significant factor that impacts on the value of an asset as in many cases there is circularity between the for-profit or not-for-profit status of the owning entity and the cash-generating status of the assets.

**Which of these views do you support?**

We believe that any asset should be valued on the same basis whether it is owned (or operated) by a for-profit or a not-for-profit entity.

2. The draft contrasts the concepts of market value and investment value (as defined in the IVS Framework and this draft). Market value should give the same result as fair value as defined in IFRS 13 as the differences between the two do not affect specialised public service assets. It is therefore frequently used as

a basis when specialised public service assets are valued for financial reporting. Investment value is specific to the owner and can reflect criteria that would either not be relevant or available to market participants, such as measures relating to the public benefit created by or accruing to the asset.

**Do you consider that these distinctions are clearly explained?**

We concur that the definition of Market Value in the Exposure Draft is, for specialized public service assets, substantially the same as that in IFRS 13 *Fair Value Measurement*. However, for Investment Value, we prefer the definition from the Appraisal Institute “The value for a particular investor [owner] based on individual requirements, as distinguished from the concept of Market Value which is impersonal and detached”. The second half of the sentence is crucial; “in effect it is a “value-in-use””. We suggest that paragraphs 25 and 26 be revised to make the difference completely understandable. The distinctions between the two concepts are made very clear in IAS 36 *Impairment of Assets* which deals both with *Fair Value Less Costs to Sell* and *Value in Use (Investment Value)*.

3. The proposed guidance makes a distinction between measuring the value of the asset and measuring the social value, ie the impact of that asset on either other assets or the wider community. It excludes the latter from the scope of the proposed TIP on the grounds that social value of an asset is not directly correlated with the value of the owner’s interest in that asset.

**a) Have you had experience of the impact that a specialised public service asset has on the value of other assets or the wider community being used as a measure of the value of that asset?**

On occasion, members have had to review calculations of “Social Value” (i.e. the effect of a particular specialized public service asset on the values of other nearby assets) of a project such as a gas fired electrical generating plant.

**b) If so, please explain the purpose for which the valuation was required.**

Several Social Value calculations were undertaken as part of the documentation for the approval process of a new project. It should be pointed out that the Social Value may be small or even negative.

4. Many specialised public service assets such as roads, town squares, footpaths, public parks and gardens, informal recreational areas, etc are assets for which public users make no direct payment for access or use. Some regard such “assets” as being incapable of reliable measurement because: i) neither the historic nor the current cost normally has any relevance or correlation to a measureable benefit to the owner and ii) there are no actual or implied revenues, such as a reliable proxy or cost saving, that can be attributed the asset.

**a) Do you consider that all specialised public service assets are capable of reliable valuation, or that some such assets should be declared as incapable or unsuitable for valuation?**

While it is impossible to pronounce on all specialized public service assets, in our view, the value of nearly all of them can be reliably measured. While the techniques will vary for each of the listed types of assets, in our view, reasonable proxies are available for at least: roads, traffic counts, town squares, attendance, footpaths, traffic/alternative uses, public parks, attendance or sales of nearby lands etc.

**b) If you have experience of valuing assets such as those identified in this question, please describe the type of asset valued and briefly describe the method or methods used.**

A public park was valued based on the amount (per square foot of land) developers had paid for condominium sites in the area.

5. It is proposed that the current Annexe to IVS 230 Historic Property be included in this TIP and deleted from the IVS. The rationale is that many historic and heritage properties are used for providing a public service. The historic features are a form of specialism as they can often limit or constrain the use of these properties. As a consequence it is felt that many of the valuation considerations that apply to specialised public service assets also apply to historic and heritage properties and that it is more appropriate to present the guidance here than as an adjunct to IVS 230.

**Do you agree with this proposal?**

We strongly agree with the proposal.

6. Paragraph 36 of the draft proposes that four principal categories of specialised public service assets can be identified, and provides examples of types of asset that fall within each of these categories.

**a) Do you agree with the categorisation proposed?**

We agree with the concept of dividing infrastructure assets into several specialized categories but would separate those for transportation from utilities, as we believe they are different by nature. Transportation is used; utilities supply products (water, gas electricity) or services (sewage, garbage pickup). We would also transfer libraries to the Social category.

**b) Do you find the categorisation and examples to be helpful?**

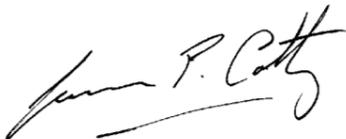
We find the discussion in paragraphs 38 to 50 to be helpful but differ with the concept of paragraph 56. In this situation we believe the land should be the residual after deducting the depreciated replacement cost of the structure(s) involved.

**b) Do you consider that there are either any significant omissions or asset types that should be excluded?**

Except for the separation of Transportation and Utilities, we are happy with the suggested categories.

Should a Task Force, Committee or staff member wish to discuss this matter further, they may contact me during normal business hours (Eastern Time) at 416-865-9766.

Respectfully submitted on behalf of IACVA  
Per



James P. Catty, MA, CA•CBV, CPA/ABV, CVA, CFA, CGMA, CFE  
Chair

## Appendix

### IACVA List of Countries

#### *Americas*

Bahamas  
Canada  
Grenadine Islands  
Guatemala  
United States  
Mexico  
Puerto Rico  
Argentina  
Brazil

#### *Africa*

Ghana  
Kenya  
Nigeria  
South Africa  
Uganda

#### *Europe*

Austria  
Germany  
Netherlands  
Switzerland  
Romania  
Ireland  
United Kingdom

#### *Asia/Pacifica*

China  
Taiwan  
Japan  
South Korea  
Hong Kong  
Singapore

Malaysia  
Thailand  
Australia  
India

#### *Middle East*

Lebanon  
Egypt  
Syria  
Jordan  
Kuwait  
United Arab Emirates  
Saudi Arabia  
Israel  
Bahrain

#### *Commonwealth of Independent States*

Armenia  
Azerbaijan  
The Republic of Belarus  
Kazakhstan  
Kyrgyzstan  
Moldova  
Russia  
Tajikistan  
Turkmenistan  
Ukraine  
Uzbekistan  
Georgia  
Estonia  
Latvia  
Lithuania