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The President

European Community Shipowners' Associations

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International Accounting Standard Board – FIRST DRAFT International Financial Reporting – Discussion paper leases (DP/2009/1)

ECSA is the professional association representing the interests of the shipowners of the EU and Norway. The ECSA membership controls 41 % of the global merchant fleet and is active in all kinds of maritime services: intra Europe, in the trade between the EU and third countries and in so called cross trades between non EU trading entities.

ECSA has duly studied the discussion paper on Leases comments to which are invited by 17 July 2009.

It is understood that it is envisaged to annul the current existing distinction between "operating leases" and "financial leases".

It is also understood that lessor accounting has not yet been discussed in detail by the IASB.

It is noted that as far as the shipping sector is concerned the envisaged new standard would oblige lessees and lessors to include Operating Leases such as Time Charter "in", and potentially Time Charter "out", on the balance sheet as assets and liabilities.

In doing so, the long-term assets and liabilities of Shipowners, ship operators and Industrial long term Time Charterers, will increase significantly, ignoring the specific role of time chartering shipping services.

For the shipping industry Operating Leases are like a commodity. It should be clear from financial statements that a Time Charter is a "by product" i.e. a product that one buys like an electricity company buys coal or gas. It should also be clear that a Ship under Time Charter is fully under the lessor's control in term of nautical management, maintenance and crew, and not under Lessee's control. This being the opposite of the Financial leases.

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ECSA, for and on behalf of its members, would therefore highly appreciate that the position of "time chartering" is reviewed so that lessors and lessees accounting for Time Charter are not treated such as Financial leases when developing the new standard on lease accounting.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Philippe Louis-Dreyfus', with a horizontal line underneath the name.

Philippe Louis-Dreyfus
ECSA President

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