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Technical Director
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**Invitation to Comment on Exposure Draft
Proposed Interpretation of Financial Accounting Standards Statement No. 143
“Accounting for Conditional Asset Retirement Obligations”**

SBC Communications, Inc. appreciates the opportunity to respond to the Exposure Draft of the Proposed Interpretation of FASB Statement of Financial Accounting Standards “Accounting for Conditional Asset Retirement Obligations” (ED). SBC ranks among the largest providers of telecommunications services in the United States and the world. We provide communications services and products in the United States and have significant international investments. We are a Fortune 50 company, with approximately 3.3 billion shares outstanding and employing approximately 169,000 people as of December 31, 2003.

We agree with the need for consistent application of FASB Statement No. 143 in recording conditional asset retirement obligations among businesses. However, we disagree with the narrow interpretation of this statement in requiring recognition of liabilities that have a remote probability of occurrence. FASB Statement No. 5 requires recognition of a contingent liability when it is probable that one or more future events will occur confirming the fact of the loss. The proposed interpretation of FASB Statement No. 143 states that, “Uncertainty surrounding the timing and method of settlement that may be conditional on events occurring in the future should be factored into the measurement of the liability rather than the recognition of the liability.” The probability of occurrence appears to have no bearing on whether a conditional asset retirement obligation must be recognized under the proposed interpretation of FASB Statement No. 143. The liability must be recognized even if the probability of occurrence is remote as long as the liability can be reasonably estimated. Under this interpretation, probability is no longer the standard in the recognition of removal liabilities. We do not agree with the departure from the long accepted and understood probability recognition requirements of FASB Statement No. 5. We believe that changing liability recognition under proposed FASB Statement No. 143 interpretation, would result in potentially inconsistent recognition requirements for different types of liabilities.

We also have concerns about consistent application of this statement to different or similar assets with similar fact patterns and believe that the examples given do not apply the rules consistently. Example 2, which provides an example of the disposal of telephone poles, requires the immediate recording of an asset retirement obligation related to the legal requirement to dispose of poles in a certain manner. The example assumes that telephone poles are replaced periodically. Example 4 provides an example of the dismantling and disposal of an oil refinery. The example assumes that oil refineries have been upgraded and maintained historically, such that very few have been dismantled. For this reason, it is assumed that the refinery has an indeterminate useful life and does not require recognition of an asset retirement obligation. In actuality, telephone poles are not removed on a regular basis. The argument can be made that certain telecommunications plant

assets have indeterminate lives. The same argument applies to buildings since buildings are typically renovated and last for many years. Yet, there is an example provided in which a liability is required to be recognized immediately for asbestos removal costs from a factory building. This example even mentions that buildings do not last forever, yet the oil refinery of Example 4 has an indeterminate life, an interpretation that appears inconsistent. We do not see the practical difference in the facts of these three examples and find it difficult to understand the differences in outcomes.

State laws vary in asset disposal requirements. For example, there are no specific disposal procedures for the removal of telephone poles in certain states within SBC's territory, but there are special disposal procedures in other states. Recognition of conditional asset retirement obligations would be required for telephone poles only in those states with existing legislation that requires special disposal procedures, but not for telephone poles in all states. In addition, there may be instances where newer assets are built using different material, which would preclude recognition of a conditional asset retirement obligation for these newer assets. However, immediate recognition of a liability would be required for similar older assets. There could potentially be instances of different accounting treatments for assets within the same plant category.

Finally, we have concerns regarding the difficulties in valuing asset retirement obligations that must be recognized when the probability of occurrence is remote. There can be wide variances in estimation assumptions, even among companies within the same industry. It can be difficult to determine the timing and amounts of future cash flows related to asset disposal costs for long-lived assets. Ultimately, the reasonable valuation of asset retirement obligations will be difficult to accomplish.

For these reasons, we believe that consistent application of FASB Statement 143 would not occur under the proposed interpretation of this statement. There are conceptual and practical difficulties in applying this statement. We strongly oppose the departure from the requirements of FASB Statement No. 5 in the recognition of liabilities.

We appreciate the opportunity to comment on projects undertaken by the Financial Accounting Standards Board. If you would like to further discuss any of our comments, please do not hesitate to contact either Andrew Libera, Executive Director – External Reporting and Accounting Policy at (210) 351-3043 (al7444@txmail.sbc.com) or myself at (210) 351-3900 (js0093@txmail.sbc.com).

Yours very truly,

John J. Stephens
Vice President and Controller